

JPRS-UIA-89-011  
23 JUNE 1989



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# ***JPRS Report***

## **Soviet Union**

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***International Affairs***

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## International Affairs

JPRS-UIA-89-011

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23 JUNE 1989

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**Zagladin Interviewed on Arctic Ecological Conference**

18070562 Moscow IZVESTIYA in Russian  
11 Mar 89 p 5

[Interview with V. Zagladin by B. Ivanov: "Economy Must Not Be Developed in Detriment to Ecology"]

[Text] The world's state of health is deteriorating. Every year forest areas are decreasing and deserts are growing. Soil and ozone layers are becoming thinner. The levels of carbon dioxide content in the atmosphere are rising. The biological diversity is decreasing. Toxic waste is being accumulated... Such an ecological trouble authoritatively dictates the adoption of urgent measures to save mankind's habitat. It is not accidental that today problems of ecological survival take on global dimensions and ever more often are ranked with the fight against the nuclear threat. The characteristic of these problems lies in the fact that not a single country separately can cope with them. Hence the need for international cooperation.

A meeting of members of parliaments of North European countries and Canada on the ecology of the North was held in Moscow recently. Legislators from Denmark, Iceland, Canada, Norway, the Soviet Union, Finland, and Sweden took part in it. An IZVESTIYA correspondent met V. Zagladin, secretary of the Commission on Foreign Affairs of the Union Soviet of the USSR Supreme Soviet, who headed the Soviet delegation.

[Correspondent] Vadim Valentinovich, what dictated the need to convene such a representative international forum?

[V. Zagladin] This was the first meeting of this kind, although it must be stated that individual bilateral contacts with North European countries, the United States, and Canada have already been implemented for a long time. Certain agreements on ecology have been concluded and scientific discussions and joint expeditions are being conducted. However, a general meeting of members of parliaments of all these states has not yet been held, but, to be honest, the need for it has long been urgent. The point is that, despite all the steps taken, the ecological situation in the Arctic regions is deteriorating rapidly. I have in mind the state of sea expanses, the air basin, and ice fields. At times sea pollution takes on simply catastrophical dimensions. The air has long lost the exceptional purity and transparency that have always ensured a good heat exchange. Now the big contamination of the atmosphere with gas and the dirt matter in it lead to a disruption of this process and, as a result, a significant share of what we call the "greenhouse effect" originates in the North. Such a situation causes a warming up of the climate and leads to a gradual thawing of arctic ice, which in turn will result in a rise in the sea level by an average of 1.5 to 2 meters. As a result, vast coastal regions not only of northern countries, but also of continental Europe, can be flooded. The situation with the flora and fauna is also threatening. Sea fish resources

are depleted to the limit. Let us take the Barents Sea. In the 1960-1970's the fish industry of northern countries, as well as of the Soviet Union, owing to the headlong catch, in fact, completely "cleaned out" its fish stocks. Although definite steps to restore them are now being taken, the Barents Sea has lost its importance as a source of many thousands of tons of fish for many years ahead. All this shows how serious the problem of the ecology of the North now is.

Moreover, the proposals on protecting the nature of the North expressed by the general secretary of the CPSU Central Committee in Murmansk on 1 October 1987 served as an important stimulating factor for convening this meeting. They precisely formed the basis for the appeal to parliaments and members of parliaments of states in Northern Europe, the United States, and Canada, which the Soviet side made several months later. These are the sources of the meeting held.

[Correspondent] What problems were in the center of the discussion?

[V. Zagladin] There was a discussion on what kinds of steps in the field of ecology could be worked out jointly and how to implement them later. Two directions were clearly manifested there. The first—urgent steps, which can be taken right now. Their goal is to lower the level of environmental pollution by reducing production waste. This can be attained by the construction of additional cleaning installations and filters. However, no radical changes can be expected from such an approach. Practice shows that all such steps are only a palliative. The second—qualitatively new steps representing a transition to technologies in industry and agriculture, which would not merely reduce the damage to the environment, but would be ecologically clean and energy- and resource-saving. In other words, the economy should be linked with ecology. The development of economy in detriment to ecology cannot be justified. To be sure, the transition to new production methods is an extremely expensive thing designed for a long period. However, precisely this path can radically change the ecology of the North and, moreover, the state of mankind's habitat as a whole.

I would like to discuss another direction in ecological activity, which for now is only of a theoretical nature. The point is that the consumption of land resources, or, according to scientists' definition, of the "substance of the earth," is growing at such rapid rates that even if we change to ecologically pure technologies, soon (of course, it is not a question of one decade) we will eat, drink, and burn everything that exists on the planet. Therefore, the question of how to reexamine and change our needs, that is, to find alternative types of fuel and energy, which would not affect the earth's nonrecoverable resources, to adopt revolutionary, new methods of production, and to rationalize consumption fundamentally, acquires special urgency.

[Correspondent] In your opinion, what useful experience in ecological activity did our parliament members draw from the speeches by their foreign colleagues?

[V. Zagladin] We were interested in many aspects of the practical solution of ecological problems in northern states. Now it is simply impossible to talk about all of them. I will cite only one curious example. Many small nationalities live in the northern regions of the Soviet Union, European countries, and Canada. And so, in Canada the parliament, before permitting the realization of some project (for example, laying a gas pipeline), conducts a sociological survey among the local population in order to clarify its attitude toward future construction. The opinion of native inhabitants often proves to be decisive: In a number of cases the proposed plans were rejected completely and in a number of others, frozen temporarily. Unfortunately, in our country a similar practice is still used extremely rarely.

[Correspondent] In the course of discussions were grievances expressed against the Soviet side?

[V. Zagladin] In essence, it is difficult to call a number of pronouncements heard in the course of the meeting—although they were formulated quite mildly and correctly—other than grievances against us.

First of all, it is a question of our heavy contamination of sea expanses with waste from petroleum extraction and other types of production. In Karelia, on the Kola Peninsula, and in Kandalaksha industrial refuse containing sulfur and heavy metals greatly exceeds the permissible levels. Moreover, the coastal waters of the Baltic Sea are literally larded with waste from agricultural fertilizers. The density of water pollution is quite significant throughout the Baltic coast. Furthermore, it was also said that to this day we do not participate in a number of international conventions providing for the protection of water space against sea transport refuse. The participants in the meeting recommended that our country join these conventions. The reasons why the USSR does not participate in these conventions are varied, but in a number of cases this is a direct consequence of the lack of attention and even of understanding of environmental problems.

[Correspondent] As it seems, for a very long time we simply ignored ecology, considered this sphere of activity insignificant, and dismissed it. Only not long ago did we begin to see things clearly. In 1972 we refused to participate in the groundbreaking UN Conference on Environmental Protection in Stockholm and only last year did we join the Convention on the Protection of Mankind's Worldwide Cultural and Natural Heritage. At present out of the 120 existing conventions on environmental protection we participate in a little more than 60. In brief, our policy in the field of ecology should be improved. What is the reason for such a situation? Why, is stagnation again to blame?

[V. Zagladin] The situation is truly complicated. However, to consider this only the legacy of the period of stagnation, in my opinion, is a too narrow approach. Let us recall how this was. After the October Revolution Lenin also drew attention, among other things, to the problem of environmental protection. Our first decrees on environmental protection were signed by Lenin. At that time an appropriate special body was established in the Council of People's Commissars and public organizations engaged in problems of the natural habitat also appeared. Then, from the end of the 1920's, all this disappeared and the problem itself completely ceased to be in vogue and was forgotten. At that time and during subsequent years there was a confrontation between two different approaches. On the one hand, scientists (many of whom suffered at that time) actively warned about the disastrous consequences of disregard for the habitat and demonstrated the need for a harmonious development of man and nature. In particular, Vernadskiy, Chayanov, and Vavilov spoke about this.

However, their position was a voice in the wilderness, because a completely different point of view prevailed in the country during that period. It can be formulated as follows: Nature develops more slowly than human society and, therefore, natural resources are inexhaustible during the historically foreseeable period. (Incidentally, this guideline was contained in Stalin's work "O dialekticheskom i istoricheskom materializme" [On Dialectical and Historical Materialism]). In addition, the USSR is a vast country, its expanses are enormous, and, no matter what one does, everything is a drop in the sea. It must be stated that such an approach existed in our country for quite a long time. When in the West people began to talk—at first timidly, but later more and more often—about environmental pollution and ecology, we in no way reacted to this. Moreover, we even assumed that this was a cunning method, by which the bourgeoisie allegedly diverted the public from major class and social problems. Only when actions in connection with ecological problems, for example, Baykal pollution, began in our country, only then did ecology cease to be nonexistent. However, this problem was raised to a full extent in our country only during the perestroyka period.

[Correspondent] However, I remember that the need to take care of the habitat and to adopt special laws and decrees on nature protection was discussed from various tribunes even 15 and 10 years ago. All this created the impression that, in general, the situation with ecology was not bad.

[V. Zagladin] Yes, all this was so. I will say more. From the beginning of the 1970's five-year plans began to include special environmental protection measures. In their majority, however, these were half-measures. You are right. Special laws were adopted, but they were of a too general nature and, above all, were fulfilled poorly. Why? The economic aspect of the matter played an important role there. For example, the law provided for certain sanctions against the violator enterprise—let us

say, a fine. What occurred in practice? Since the enterprise was on a state budget, consequently, the imposition of a fine on it signified only a formal transfer of some sums from one item of the budget to another. Neither the enterprise itself, nor its workers suffered from it in any way. Of course, other sanctions were also applied, but they too were more symbolic than effective.

[Correspondent] Well, has the situation changed today?

[V. Zagladin] The situation keeps changing in the most radical way. We intend to improve appropriate legislation—to develop and strengthen both nature protection measures and measures for the protection of the natural habitat against violations. Now under full cost-accounting and self-financing conditions the enterprise will pay any fine from its own pocket and this will be immediately reflected very perceptively. In brief, the entire situation and, consequently, the attitude toward ecological problems are changing. The recently established State Committee for Nature Protection began its work actively and in the spirit of new thinking. However, all this is only the beginning of a long and complex road. Too much time has been lost and too much has not been done.

I assume that the main difficulty lies in the fact that we ourselves as yet do not fully realize the entire depth of the ecological threat. There is a paradox: Absolutely everyone encounters the consequences of the damage to the habitat, but not everyone understands the initial cause of this phenomenon and its sources and not everyone connects this with the activity of his plant, factory, mine, and drilling installation... Therefore, in my opinion, restructuring the psychology of personality is the most important task.

[Correspondent] What should be done in order to solve this problem? Of course, it is not a matter of years, but of decades. Nevertheless, what measures do you consider necessary so that ecology takes its proper place both in our consciousness and in the system of state priorities?

[V. Zagladin] First, it is necessary to organize a wide popularization of ecological knowledge and information on specific aspects of this problem and to carry out the ecologization of education. Then the question of the openness of ecological policy, of glasnost in this area, arises inevitably. For example, an agreement on regular exchanges of information, on discussions of ecological problems in parliaments, and on mutual control is one of the results of this meeting by members of parliaments. This is an example of such openness. Furthermore, it is necessary to establish an independent ecological committee of experts (incidentally, this aspect was also discussed at the meeting) for a careful examination of all economic plans. Since ecological problems know neither state limits, nor political differences, they should be solved in close interaction with other states. In this connection it is gratifying that precisely our country proposed the establishment at the United Nations of a

center for international ecological assistance, announced its readiness to take part in the construction of a space laboratory or an orbital station for controlling the state of the earth's nature, and made other initiatives for an expansion of international cooperation in the field of ecology.

#### **UN Association Official Interviewed on UN's Role**

18070636 Moscow IZVESTIYA in Russian  
10 May 89 Morning Edition p 3

[Interview with Grigoriy Kovrizhenko, deputy chairman of the USSR Association for the United Nations, by V. Nadein, IZVESTIYA correspondent: "Each of Us Can Help the United Nations"]

[Text] *A conference of the USSR Association for the United Nations will be held in Moscow on 16-17 May. The association has been in existence since 1956 and is a member of the World Federation of Associations for the UN, which combines about 70 national organizations. Participants in the conference will discuss what must be done to make the movement of the Soviet public, which shares and supports the ideas of the UN, truly a widespread movement and void of secrecy and formalism.*

*Our correspondent met with Grigoriy Kovrizhenko, deputy chairman of this public organization.*

[Nadein] The UN is probably the most well-known international organization in the world. One may be satisfied or, on the contrary, disappointed with its individual measures, but the influence of the UN is beyond doubt. Why the need to assist it?

[Kovrizhenko] World War II brought countless sufferings to the peoples of the world. But it also brought them closer together in awareness of our commonality on this planet. Creation of the UN became the answer to a new spiritual reality. However, the principles of the traditional policy, based on national interests, have tremendous inertia. In this sense, the UN has sort of gotten ahead of its time, or in any case, has gotten ahead of the conservative consciousness of many politicians. Who should contribute, help, and assist in introducing new approaches? People of various countries. United by ideas of supporting the UN, they began creating associations. The first such organizations appeared in 1946. The Soviet Association was created 10 years later.

[Nadein] Why such a time gap?

[Kovrizhenko] Apparently, it was because of internal political guidelines of that time and the nature of the relations that existed with the UN. The foreign ties of our public in general were limited in every way, and those that existed were strictly controlled. Still, it became more difficult to control the public than state employees. Bureaucracy also left its mark on the association during the first years of its existence. Although prestigious

founders were involved in its creation—the USSR Academy of Sciences, Moscow State University, the Znaniye All-Union Society, the Soviet Committee for the Protection of Peace—its work nevertheless took place in a situation of secrecy.

[Nadein] How was this reflected in the results of the association's activities?

[Kovrizhenko] You cannot answer that in a word. The association included scientists, politicians, and public figures who were active and competent and enjoyed the respect of colleagues in the World Federation. However, the lack of any significant social base at all in our own country was felt. The circle of participants was narrow. But you see, the UN Charter begins with these words: "We the peoples of united nations..."

[Nadein] How many members does the association have now?

[Kovrizhenko] It is impossible to say. They simply have not been counted. And do we have to count them? Do we need another membership card and membership dues? The association includes more than 20 organizations with rights of collective membership. Branches have been created in a number of republics and oblasts. Three universities—Kazan, Odessa, and Ural—have organized special sections with individual membership. Of course, these are few.

[Nadein] What does an ordinary citizen do if he wants to become a member of the association?

[Kovrizhenko] Become one. Realize that he is not only a patriot, a citizen of his own country, but also a cosmopolitan, that is, a citizen of the world, personally responsible for the fate of the world. In past years we filled the term "cosmopolitan" with negative connotations. This word came to mean "traitor," an enemy of one's people, denying its traditions and cultural values. Destroying this stereotype is a modest but real contribution to spreading the ideas of the UN.

In-depth information, reaching the masses, about what the United Nations is doing, what its councils and committees are involved in, and what the aims of the international programs are is of great importance. For example, did we know much about the International Atomic Energy Agency before Chernobyl? And would we know much today if we had not had such a bitter misfortune? This sort of ignorance is both a reproach of our association and an incentive to expand its activity.

If we talk about strictly organizational aspects, the new charter which the conference is to adopt calls for a number of measures, many of which will be carried out on a competitive basis.

[Nadein] Could you compare our association's activities with those of other national organizations that are part of the World Federation?

[Kovrizhenko] Great Britain has an extensive network of local UN assistance branches. They propagandize the activities of the UN, discuss humanitarian problems, and form detachments of volunteers who travel to developing countries for UN assistance programs. A great deal of informational work is being done in the FRG. In the United States, they are studying, thoroughly and at the same time critically, the structure and capabilities of the UN. Here it is popular to imitate the activities of the Security Council and the Economic and Social Council. How does this look? For example, at the same time as the Security Council session, the public figures conduct their discussion in which the participants play the role of representatives of the various countries.... Of course, there is no need for us to copy these forms, since we have our own political traditions within the framework of which we can involve broad circles of the population, especially young people.

[Nadein] The conference of the Soviet association opens on 16 May in the great hall of IZVESTIYA. Non-traditional approaches will be discussed, and methods corresponding to new thinking in international politics will be chosen. What must be changed in the work of the Soviet association after this conference?

[Kovrizhenko] To tell the truth, I myself would like to know. But it is in freedom of discussion and in unpredictability of conclusions and recommendations that the initiative of the participants can be demonstrated.

It seems to me that the change to getting a wide circle of activists involved in the association's activities within the country and examining the possibilities of resolving internal problems taking into account international experience and recommendations of the UN and other organizations and institutions of the UN are fundamentally important.

#### **Structural Changes in Capitalist Economic Development**

18070247a Moscow *RABOCHIY KLASS I SOVREMENNYIY MIR* in Russian No 2, Mar-Apr 89 (signed to press 15 Mar 89)

[Article by G. G. Pirogov, candidate in economic sciences and head of the USSR Academy of Sciences Institute of the International Worker's Movement Laboratory: "Structural Crisis and Structural-Technological Reorganization in the Zone of Developed Capitalism"]

[Text] On the threshold of the third millenium, there are some rather serious structural changes taking place in the economies of the countries of developed capitalism. These changes encompass the organization of production and enterprise, labor relations and the make-up of the work force, the investment process, and the relation of material

and non-material elements of production. Outlays cease to be an adequate measure of the volume of economic activity. The growth rates of the GNP and labor productivity in a cost expression do not sufficiently characterize the development of the economy. The category of actual wealth is attaining greater importance, and the application of information resources is making an ever greater contribution to its production.

As the third millenium approaches, it is becoming ever more apparent that the changes taking place today bear a much more radical character than ever before in the past. The scope of the changes taking place is felt by all.

From the standpoint of long-term changes in the economy of the industrially developed countries, the 70's-80's of the 20th century serve as a watershed—a period of "breaking the structural continuity". The well-known American futurologist, O. Toffler, writes: "Today's crisis is not a crisis of redistribution, overproduction, insufficient production or low labor productivity, but a crisis of restructuring, a decline of the old 'second wave' of the industrial era of economics and the emergence of the economics of the new 'third wave', which functions in accordance with different principles".

"Mass production and mass distribution have become outdated. This is the most important shift in the character of the market economy since the times of the industrial revolution". (1)

Three groups of reasons have caused the emergence of the "third wave": The increased complexity of the resource situation, the crisis of hierarchical centralized organizational structures, and the accumulation of principally new knowledge and technologies within the scientific-technical sphere.

In order to remove the limitations hindering further development, we need radical changes in the sphere of engineering and technology, in the organization of production and its management, in labor relations and in the social sphere. In short, we need changes in the entire structure of current society. [1]

A structural-technological reorganization has begun and is actively developing in the zone of developed capitalism. This reorganization comprises the basis for the long-term tendencies in economics. Having come up against the strategic limitations of development—natural- resource, demographic, ecological, technical-economic, social and institutional—modern capitalism has begun to adapt to the new conditions. The impetus for this was provided by the energy crisis. A transition is taking place to a new paradigm of scientific-technical progress, the basis of which is the rejection of mass energy- and resource-consumptive technologies in favor of high scientific-intensive ones, and at the same time energy- and resource-saving technologies. Also, tendencies for microminiaturization have become apparent. The old slogan of scientific-technical progress stated:

"More, bigger, higher, farther, faster!" Today it has been replaced by the slogan: "Lighter, thinner, smaller, shorter, more economical!"

At the same time, the character of individual consumption is also changing. Demand is moved over into the sphere of services, and in the sphere of production of material goods there is a shift away from mass purchase of standardized goods toward the individualized consumption of non-standard items. The psychology of the "mass consumer", striving to possess fashionable goods, is giving way to the psychology of the "existentialist", who strives toward maximizing the useful effect in accordance with the lifestyle which he has selected. A general tendency is the change in the system of value orientations of the consumer away from material and quantitative values toward spiritual and qualitative ones. Characteristics of the processes taking place in the sphere of consumption are: Servicization, diversification, individualization, and emphasis on quality.

The prediction for the year 2000 for the basic consumer tendencies of Japanese families shows the following: 1) food: from satisfaction of quantitative demands to enjoyment; 2) housing: from quantitative satisfaction to comfort and qualitative satisfaction; lighting and heating: from mass consumption to a regimen of economy; 4) clothing: from quantitative saturation of demands to individualization of choice; 5) health maintenance and medical services: from passive treatment to active desire to strengthen the health; 6) transport: from necessary mobility to mobility associated with leisure time activities; 7) education and culture: from a rationalistic approach to an active expansion of the sphere of cultural interests; 8) other consumer expenditures: from minimization to expansion of the freedom of choice (2, p 83-87).

The aging of the population has a significant effect on consumer demand. The elderly population is "going away from" mass demand for items, but has a greater need for medical and social services and presents new demands for the sphere of culture and recreation.

The structure of consumer demand has come into contradiction with mass production which offers the consumer a rapidly changing set of modern standardized industrial products.

Finally, the increase in the cost of the work force in the industrially developed capitalist countries, primarily under the influence of the increased educational and training level of the working class, as well as the significant increase in the level of the labor wage as a result of the persistent struggle by the proletariat, have led to a situation where the application of this expensive and highly skilled work force in mass, and especially in assembly-line, production is becoming economically inexpedient, particularly in connection with the increasing competition from a number of the developing countries.

Under these conditions, a change is taking place in the zone of developed capitalism away from the model of socio-economic development which may be called the model of "extensive mass production—mass consumption" toward a new model—"intensive scientific diversified production—selective qualitative consumption".

In the capitalist countries the change in models of development began with an acute structural crisis, which was followed by a long and as yet unfinished period of structural-technological reorganization. The possibility of changing over to the new model was reinforced by the achievements of the scientific-technical revolution. Among these achievements were primarily: The development of microelectronics, automation, robot technology, the development of energy-saving and alternative technologies for obtaining power, new materials, biotechnology, new high precision control-measurement apparatus, and waste recycling technology. While the former model of development was based on the effect of economy of scale, i.e., on the reduction of outlays with the increase in volume of production, the new model is based on the effect of the economy of scope, i.e., on the reduction of outlays associated with the production of the largest possible range of models on the basis of a single production base. The economy of outlays in this case is accompanied by a growth in the beneficial effect for the consumer which is associated with the variation of products ensuring satisfaction of specialized demand.

At the same time, the scientific-technical revolution facilitates a departure from the model of mass production, since it is tied with the rapid and continuous expansion of the nomenclature of the manufactured products, and with their rapid updating. By the beginning of the 80's already 75 percent of the overall volume of machine building production in the USA was produced in small batches of 50 or less units, as well as individually. The portion of mass and large-series production is constantly decreasing (3). [2]

We cannot say that mass production has already completely yielded its positions. Yet wherever it is successful, this is associated with the combination of a mass nature of production with scientific intensiveness, high quality and diversification made possible primarily due to modern computer technology. Examples of this are automobile making and electronics in Japan, which retain high ability to compete on the market.

Quantitatively, the transition to the new model of development may be seen in the example of Japan, with the application of the following indicators:

1. The relative share of tertiary sectors in the net national product, according the data of the intersectorial balance (ISB), has increased from 48.3 percent in 1955 to 58.5 percent in 1980, with a reduction to almost 1/6 in the relative share of primary sectors and a significant reduction in the share of secondary sectors beginning in the mid-70's.

2. The relative share of services in final household consumption increased from 42.4 percent in 1970 to 50.4 percent in 1981, with a reduction in the relative share of goods intended for long-term, moderate-term and short-term use.

3. A change in the sectorial structure of employment. The relative share of the tertiary sectors in employment has increased from 35.5 percent in 1955 to 54.6 percent in 1980, with the primary sectors being reduced to one-fourth of their previous amount and with a reduction in the relative share of the secondary sectors beginning in the second half of the 70's.

4. The softization rate of the economy which is computed, according to the data of the ISB, as the relation of non-material elements of expenditures to the overall sum of expenditures in the sector. The dynamics of this coefficient shows that the relative share in the added cost of the sector with level of softization above 60 percent increased from 1.5 percent in 1965 to 23.5 percent in 1980, while the relative share of sectors having a coefficient of 40 percent or below declined from 79.2 to 52.5 percent respectively (2, p 74-75).

5. The volume of the final product of informational production in the GNP. Informational production is understood as: The electronics industry, electrotechnical means of communication and production of information services. According to the computations of the Japanese Ministry of International Trade and Industry, this portion has increased from 4.6 percent in 1980 to 6.4 percent in 1984. By the year 2000 it is expected to reach 20.6 percent. Investments in informatization have increased at an average annual rate of 18.3 percent between 1980 and 1985 (5).

In terms of quantitative indicators, we may also use the natural indicators of production for the most important individual types of production. We must, however, warn against getting carried away with macro-economic indicators. (This problem will be examined in greater detail somewhat later, in our discussion of the rates of economic growth in the period of structural-technological reorganization).

Structural-technological reorganization introduces serious changes into the organization of enterprise and management. In the sphere of organizational structures there is a noted transition from hierarchical to network structures. The principle of "cholonc organization", when each structural unit enjoys considerable independence and, while implementing its goals, is at the same time oriented toward the strategic directions of the system as a whole ("cholos"—whole, "on"—particle). An example of this may be the organizational structure of one of the most successful companies in Japan—"Ke Tsera" (producing modern technological fine ceramics). This company represents a scientific-production association consisting of several levels or echelons—from

research to marketing. Every echelon along the horizontal is divided into several autonomous subdivisions, called "amebas". The "ameba", in accordance with the available free resources, selects and develops one of the projects which are part of the company's technological strategy.

Having completed its development, it computes all the expenditures associated with it and hands the project over to a lower echelon ("down stream"), where one of the "amebas" once again voluntarily assumes it. Thus, the project proceeds from research and development to realization. The cost accounting is done within each "ameba" and "along the vertical", i.e., according to the project (product) as a whole. This makes it possible to evaluate the effectiveness of each "ameba" as well as each project. The "ameba" is compensated for its expenditures, but remuneration in the form of bonuses does not depend on its individual activity, but rather on the economic results of the firm as a whole.

Large corporations implement various tactics in introducing high technology production to prospective new markets. Sometimes this is the merging and buying up of control packets. More often it is the break-up of corporations and isolation of branches into independent enterprises, the creation of joint enterprises, particularly of a scientific-research description, the creation of specialized institutes for financing business ventures, the application of independent venture enterprises on new markets as unique test cases, etc. The problem here consists of the high risk of introducing new products and technologies, coupled with the pressing need for such introduction. Organizational measures are called upon to ensure a reduction in the degree of risk.

Yet perhaps the main point in the new entrepreneur tactics and strategy is the provision of flexibility. The provision of flexibility proceeds in several directions, including flexibility in material-technical supply, flexibility in the movement of the material flows within the enterprise, flexibility in the product assortment, flexibility in regard to the application of the work force, and flexibility in wages. Current means of gathering, transmitting, processing and storing information create entirely new possibilities in this sphere.

The American variant of the "dynamic network organization" presupposes the vertical de-aggregation of the corporation, in which the basic part of the productive and even a part of the non-productive functions are handed over to other enterprises. For example, in the "Galoob Toys" company (a toy manufacturer) in 1985 the sales volume comprised 56 million dollars, i.e., it had increased 10-fold as compared with 1981. In spite of this, the company personnel numbered only 115 people. All the production was handed over to subcontractors, primarily in the Asian countries, and sales were conducted through the enterprises of the leisure industry. Even the bookkeeping accounting was handed over to a specialized firm. The function of the company itself

consisted of tying together into an integral whole the various elements of the design, production and sale of the toys which were made by independent enterprises in various parts of the globe. The company functions as a program-dispatcher, coordinating the work of various computer programs serving different clients in a separate time regimen. With current means of communication, information processing and transporting of the finished product, the geographic localization of various elements of the production process is of no importance. The president of the Galoob Company says that the firm's business is its ties, and that in essence the company operates not as a corporation, but as a commutator. This is the case when softization of the activity of an enterprise approaches 100 percent and the product of its activity is the organization of a flow of information.

Such a system is also called a "planetary organization", in which a large number of outside subcontractors are located along orbits around a small head enterprise.

In a certain sense, prototypes of "planetary organizations" are the Japanese subcontractor systems, particularly in the automobile industry, or the trade companies of the "soho kaysya" type. The primary business of the latter also consists of using gigantic informational systems to process flows of commercial information coming in from all over the world for the purpose of seeking out the most profitable sales markets and points of capital investment.

Large world-famous companies are fully or partially changing over to "planetary organization". Thus, the "Nike" company characterizes itself "not as a producer, but sooner as a developer and organizer of marketing". The "Emerson Radio" company retains only the development and design, and hands over series production to the Asian countries. Even "IBM", since 1981, after the entry of personal computers into the market, is beginning to use foreign subcontractors. In the household electronics department of "General Electric" in 1986 only 10 percent of the personnel were engaged in production, as opposed to 60 percent in 1984. In the words of the company's vice-president, D. A. Robinson, the added cost (in household electronics) is created primarily in the sphere of marketing, sale and distribution, but not in production.

Thus, companies such as "General Motors", "Firestone", "ZM", and "General Electric" are ever more widely selling the products of their foreign competitors by agreement on the domestic market.

The system of sale of goods and services which has come to be called "franchising" has become widespread in the USA. Its essence consists of a large corporation granting the right of entrepreneur activity in its field and under its trademark to small and individual enterprises based on certain contract conditions. "Franchising" is an American variation of the "colonistic organization". Thus, according to the contract agreements of the corporate

type, the enterprises-operators act in accordance with the market strategy of the corporation and in accordance with its rules of planning and management organization. They adhere to its technical requirements, standards and rules of quality assurance, and participate in the training and production development programs, as well as in a unified system of informational exchange. The head company gives the operators help and consultation services, at the same time retaining the right of permanent control in the sphere of quality and correctness of payment of contract deductions. In everything else the operators are given broad independence.

An alternative to the de-aggregated network corporations are the fully automated, computer controlled, unmanned "plants of the future". At the present time, all the individual elements of such systems exist: super computers and micro-computers, optical communications systems, automated transport systems replacing the conveyor, machine tools with digital program control, industrial robots, processing centers, systems of automated planning, management of production and management of warehouse reserves, and flexible production systems (FPS).

However, this practice has not yet found widespread application due to the high cost of the necessary systems. Slowing in the growth rate of the labor wage, the presence of considerable unemployment in the zone of developed capitalism, and the possibility of transferring production to the developing countries are serious obstacles in the way of development of fully automated production. Particularly difficult is the creation of "unmanned production" for small and medium-sized enterprises. According to the data of the journal BUSINESS WEEK, based on the status quo in 1986 in the USA there were only 47 FPS, in Japan—50, and in Western Europe—84. It is characteristic that in the USA the example of the most successful application of unmanned production is the automated system at the plant of the "Vult Aerospace Products" company, which produces the B-1B bomber.

Important prerequisites for full automation, evidently, are a significant levelling in outlays for the work force between the zone of developed capitalism and the Asian developing countries, and the continued increase in the flexibility of fully automated systems.

For the present, the modernization of production on the basis of the application of robots and live labor seems to be the most promising. An element of such tactics is the transfer of production of labor-consumptive products to the margins of the zone of developed capitalism. The leading links in the program of modernization are the improved organization of labor, the reduction of warehouse reserves, the increased quality of products, and the provision of uninterrupted and timely deliveries of complement parts in small batches by the subcontractors.

At the "Unisys" plant (USA, production of bicycles), a computer system for regulating the material flows costing only \$8 million has made it possible to double the production capacities without replacing the equipment. At the present time, 99.5

of the products manufactured by the firm have no defects, and the turnover rate of the warehouse reserves has declined from 7 months in 1981 to 1.3 months.

In Japan the "NPS" (New productive system) group has been formed to consult with companies on the methods of modernizing production with a changeover from large scale to small scale production. In many cases this reorganization is accompanied by the elimination of flow lines with heavy automated equipment and their replacement with manual labor using means of small-scale mechanization. Such a change, specifically, took place at the plant of the "Misava" company which produced individual prefabricated houses. As a result, the lag time between delivery of the raw goods and materials and output of the finished product has been reduced from 2 months to 1 day. The outlays for storage of warehouse reserves have been reduced to less than one-half the previous amount. The annual investments in buildings, structures and equipment were reduced to one-third the previous amount, while the productivity at the plant in Matsumoto doubled, and at the plant in Nagoya it tripled. The general production outlays declined to a level of 68 percent. From an unprofitable one, the firm changed over to being highly profitable (6).

"We are witnessing the end of an era, when gigantic corporations with huge capital and labor resources could enjoy success primarily due to economy on scale, relying on mass production and mass sale" (7).

In the USA, there has also been a widespread development of small companies which use a comparatively highly skilled work force in sectors which do not demand high technologies (the so-called low technology enterprises). According to the data of FORTUNE magazine, these enterprises account for a significant part of the jobs created in the U.S. economy in the 80's (8).

The transition to a new model is taking place under conditions of a growing dependence on the foreign market with the increasing role of TNC [transnational corporations]. This leads to a sharp increase in competition on the national markets, including also on the labor market. In the commodity markets, even protectionism does not serve as a defense, since the TNCs create production on site, circumventing customs and other barriers. On the labor market the competition takes place at a qualitatively new level, since now the workers of a given country are in competition with the workers of many countries, including such developing countries as South Korea, Singapore, Brazil, Nigeria,

etc., where the work force is much cheaper, but at the same time sufficiently knowledgeable and skilled. The strategy of the TNC now includes the possibility of transferring production.

Internationalization of production, sale, and movement of capital serves as an important means for the corporations in ensuring the flexibility of material-technical supply, and in gaining and utilizing know-how and flexibility of market strategy. Yet primarily it ensures flexibility in utilizing the work force, making it possible to reduce to a minimum the permanent cadre make-up at head enterprises and to react to market fluctuations and change in the character of demand at the expense of foreign and domestic subcontractors. This is one of the components of the so-called external flexibility of utilizing the work force.

Qualitative changes in the make-up and character of the work force are significant. In industry the category of workers in technologically oriented labor—the "gold collars"—is rapidly increasing (9, 1986, No 2, p 61-75). There is a "reprofessionalization" of the work force. At the same time, the increase in employment is shifted to the sphere of services, where it undergoes increased feminization. Along with the creation of cadres of "gold collars", there is an increase in the category of workers associated with "unstable employment"—temporary or part-time workers, home workers, etc. Employment increases in the so-called "shadow economy". The old mass professions associated with structural-depressive sectors become devalued. The general tendency is that the worker uses the information more and more, and directly processes the material less and less.

The changes in the make-up of the work force and organization of labor provide the entrepreneurs with dual flexibility in exploiting the labor. First of all, this is "external" flexibility. Aside from the international component which we have already mentioned above, it has also a national component in the form of a significant reserve army of unemployed, "unstable employment", and employment in the "shadow economy". These types of employment allow the entrepreneurs to wage an attack for the conquest of the working class in the sphere of right to work, labor conditions, and wage levels. The capitalist is able to attract additional labor at his discretion, and just as rapidly to again push it out of the sphere of production. The auxiliary services of the enterprises, whenever possible, are totally handed over to the specialized companies representing production services.

At the same time, the new scheme of "flexible employment" retains a comparatively small cadre of permanent workers of the company, primarily from the highly trained stratum. Their task is to ensure the reliable functioning of the complex technological process as a whole, the functioning of the information-management system of the company, and the provision for its technological development. The approach to these categories

of workers is principally different. It is assumed that the main requirement for this personnel is reliability and identification of their long-range interests with the interests of the company.

On the other hand, this category of workers creates for the company an "internal" flexibility. A high level of training, combination of specialties, an understanding of the course of the technological process and an overall high educational level make it possible to present the personnel with a number of production, research and economic tasks and to redistribute their labor within a broad range in connection with the changes in the tasks of the company (polyvalent worker). As applied to them, the administration sets the goal not of minimizing the outlays for salaries, but rather of the most complete development of the worker's creative potential. New forms of labor organization are primarily applied to these categories, such forms as semi-autonomous work teams, participation in management and in innovative activity.

The application of flexible work hour systems becomes an important means of increasing capacities in the sphere of "external" as well as in the sphere of "internal" flexibility of labor application.

In regard to the permanent personnel, wages have an ever greater tendency to become wages of "reliability", depending more on the successful functioning of the entire company as a whole and on the range of individual capacities of the worker than on his direct job output. This is also tied with the fact that the results of the company's activity are ever more greatly determined more by the collective efforts of all the personnel than by the individual efforts of a certain worker. Moreover, the permanent cadre backbone of the company ever more greatly becomes the object of social policy of the entrepreneurs and is even more broadly encompassed by the complexes of company social security services ("fringe benefits") and systems of profit sharing and stock holding.

In the zone of developed capitalism there is a growing awareness by management workers that the integration of workers and technology into a single socio-technical system is required in order to realize the potential of automation. Since this occurred first in Japanese business, the process of awareness of such systems is sometimes called "Japanization" of labor relations. A characteristic example is the new organization of labor relations based on a collective agreement between "General Motors" and the Union of Workers of the Aerospace and Automobile Industry and Agricultural Machine Building at the "Saturn" plant (signed in 1985). Starting in 1989, this plant—the hope of American automobile making—must begin production based on new technological and organizational principles. The main innovation is the rejection of the conveyor and its replacement with assembly of large units on modules, with subsequent joining of these units on a shortened

assembly line. Accordingly, the hierarchical structure of management is replaced by the network structure. According to the contract agreement, for the basic part of the personnel (80 percent) there is a guarantee of permanent employment, autonomous work crews are created, quality assurance groups are organized, and a flexible wage system is established which is based on the results of activity of the entire company. [3]

These changes in the structure of the working class and the organization of labor lead to an undermining of the social base of current mass trade unions, as a result of which the trade unions in the zone of developed capitalism are currently experiencing a serious and prolonged crisis in adapting to the new conditions. The crisis of the trade unions is caused by "...their unpreparedness for serious changes in the mass social base; for the modification of the production relations taking place under the conditions of the scientific-technical revolution at capitalist enterprises, and for the struggle to solve problems of the socio-economic position of the workers by political means" (9, 1987, No 6, p 76-85).

The structural crisis has acutely presented the problem of economic growth rates. From the mid-70's to the early 80's, an important role has been played by the decline of investment demand, the so-called investment pause. The decline in the standard of profit, stagnation, a sharp increase in the cost of loan capital, and indeterminacy in the sphere of sales and outlays have hindered intra-corporation planning, and primarily the computation of the anticipated profits on long-term investments. Moreover, in the mid-70's there was still no commercially effective energy-saving technology. It was unprofitable to expand ineffective capacities, and there was nothing to replace them with yet. From the beginning of the 80's, the "investment pause" was replaced by the "investment boom", which became possible as a result of the emergence of new types of engineering and technology. By 1986 the technical renovation of the structurally-depressive sectors of heavy industry—metallurgy, machine building, and chemistry—had been generally completed (10).

In the second half of 1987 (particularly in the USA and Japan), a new wave of the "investment boom" began. This was associated with the deep structural-technological renovation of the entire production apparatus as a whole. We might add that the characteristic directionality of the new investments was not toward the expansion of production capacities, but toward the qualitative development, diversification and increased flexibility of production, the expansion of informational systems and the improvement of management. However, already as of the second half of 1988, the investment wave had begun to recede.

In connection with this, the question arises as to whether the low rates of economic growth will be retained in the future in the zone of developed capitalism and whether the macroeconomic growth rates are directly tied with

unemployment, i.e., can we assume that the retention of unemployment at a certain level necessarily demands a certain, rather high, growth rate in the GNP? Yet on the other hand, to what degree are the growth rates of the macroeconomic indicators in general (be it the GNP or capital investments in equipment, or labor productivity) capable of reflecting the real development during the period of structural technological reorganization, as well as after its completion?

At the present time the theory of "inevitable reduction of multiplactive effect" is widespread among Soviet as well as foreign economists (11). The essence of this effect is that the growth in demand for products of a certain sector of production induces a growth in production in other sectors. This may appear in the sphere of intermediate product consumption, and then we are dealing with the so-called coefficient of full expenditures of the intersectorial balance. In the sphere of final consumer demand, the growth of demand for products in a certain sector causes a growth in the income of this sector and in the wage fund of the labor force employed in it. This in turn leads to a growth in demand for products in other sectors. This is the so-called Keynesian model multiplier. Finally, the increase in demand for products of a sector may cause a shortage in production capacities, and then the investment process will begin in it, accompanied by an increase in orders to sectors producing investment goods for it (accelerator mechanism).

We know that the multiplicative effect of various sectors differs significantly. Material-producing sectors of heavy industry possess the greatest multiplicative effect. On the other hand, electronic and electrotechnical machine building, and especially the production of services, including informational services, is not among the sectors having a high multiplicative effect.

The chain of reasoning which ensues goes about as follows. Current development occurs due to the sectors of low multiplicative effect. Consequently, the production consumption and demand for means of production grow at a slower pace, and sometimes even decline. Superimposed on this is the process of automation of production. In the case of underutilization of capacities and automation, hired labor is pushed out of production. Mass unemployment increases. The income of the workers drops and, accordingly, so does solvent demand. The saturation of the market with long-term use goods becomes evident. Consequently, there is no impetus for energetic cyclic uplift. Associated with the decline in income is also the reduction in tax revenues going into the state budget and into the state insurance system, while the growing unemployment demands an increase in social expenditures. A chronic tension in state finances is created. This leads to the inevitability of continued exacerbation of the economic crisis phenomena in the zone of developed capitalism and to a maturation of social conflicts. This conception contains much truth, particularly in regard to the short- and medium-term prospects for economic development.

At the same time, from the standpoint of long-term tendencies and the essence of the structural-technological reorganization, another view of things is also possible. That is that the indices of industrial production, the GNP, and other macroeconomic indicators do not reflect the essence of economic development and the sharp structural-technical changes under the conditions of the current reorganization.

The problem of comparability of the macroeconomic indicators has been worked out in detail by V. N. Bogachev in his article entitled "Economic Development—Arithmetic and Content", in which he convincingly demonstrates the extreme conditionality of comparing indicators of physical volumes (and among these, undoubtedly, are the indicators of the GNP type) in view of the theoretical impossibility of building a system of price indices for working out deflation factors with rapidly and significantly changing product nomenclature (12).

The current structural-technological reorganization in a certain respect differs in principle from the ones which came before it. Up until now, mankind has assimilated new sources of energy, increasing its energetic capacities. This has made it possible to obtain a large mass of goods by processing ever larger volumes of materials. Here, the increase in expenditures also corresponded to the growth in obtained consumer values (benefit). This made it possible to measure the exchange cost in expenditures. Today, however, we see a different situation. The growth in benefit is achieved with reduction of all material expenditures, and primarily energy expenditures. It is characteristic that the most important feature of the modern automobile is becoming its energy effectiveness. Now it is in principle possible to obtain an increasing mass of benefit with a reduced volume of processed material. The growth of expenditures is shifted over into the sphere of production of information and scientific knowledge.

Moreover, the development of current informational production leads to the emergence of the so-called informational field which is formed on the basis of network integration of many vehicles of information, providing a huge number of clients with practically instantaneous access to the sources of necessary information. The "information field" may also sharply reduce the delays in the economy associated with the process of decision making, and may give an immeasurably more dynamic character to the economic and social processes.

In this connection we must, however, note that the informational resource not only coincides with its material base, but also differs significantly from such resources as labor and capital.

It is enough to say that, before, the development of labor tools in the course of scientific-technical progress was primarily reduced to a more rapid transfer of the cost of raw goods, materials and equipment to a greater number of finished products.

Today this is not necessarily so. On the contrary, in most cases the informational resource is used to reduce the volume of transfer of the cost of raw goods, materials and equipment to a frequently smaller number of finished products, but those which have greater usefulness.

Information is a resource which does not disappear and does not wear out during its application in production. Many producers may use it simultaneously without any detriment to the informational reserve. However, we must remember that information quickly becomes outdated. It cannot be accumulated like a sacred treasure. The rapid outdated of information makes it difficult to establish a monopoly on it, at least by the method of putting it "in a strongbox" or "in a pigeonhole". On the contrary, the use of information ensures its growth.

Finally, to a certain degree, information loses its former connection with the work time directly spent on its creation. The value of information depends to a significant degree on the general level of knowledge and on the potential of the entire informational infrastructure.

In connection with this, we cannot help but recall the well-known expression of K. Marx: "...in the course of development of large-scale industry, the building of true wealth becomes less dependant on work time and on the amount of labor expended than on the capacity of its agents, which are brought into motion in the course of the work time and which themselves, in turn (their powerful effectiveness) in no way correspond with the direct work time required for their production. Rather, they depend on the general level of science and on the progress of technology, as well as on the application of this science to production..." (13).

It is interesting to note that here K. Marx introduces the concept of actual wealth as opposed to wealth in the cost (expenditure) form. Under current conditions it is correct, however, following V. N. Bogachev, to pose the question about what actual wealth really represents (12, p 39).

Evidently, actual wealth is moving ever more into the sphere of intangible aktivs. An illustration of this is the mass scrapping of quite current equipment in the metallurgical and chemical industry of the countries of developed capitalism, particularly in Japan. Capital in its material form was destroyed and production reduced... But what about actual wealth? It, on the contrary, increased due to the economy of resources, the reduction of expenditures for equipment maintenance, the liberation of territories and human resources, the non-manufacture of products which the consumer did not need, i.e. the ultimate creation of a flexible reserve for structural-technological reorganization.

Here is another example of the conditionality of cost evaluation of wealth. We know that in 1987 Japan exceeded the USA in its per capita GNP (\$19,200 versus \$18,000). Yet does this mean that Japan is richer than

the USA? After all, to a significant degree the relative growth of the Japanese GNP expressed in dollars occurred due to an increase in the exchange rate of the yen in relation to the dollar. In what measure does this increase reflect the real advance of Japan over the USA in the sphere of economic development? In what measure is it determined by market factors? Does the growth of Japanese capital investment abroad compensate for Japan's lag behind the USA in the sphere of production and the domestic infrastructure (particularly housing), in the living standard (taking into account the difference in savings norms even with the correction for the difference in levels of military expenditures), and in the development of fundamental science? Evidently, the Japanese administration also has its doubts about this, if we consider the importance which is presently ascribed to the program of development of domestic demand, and not only for considerations of easing the Japanese-American trade contradictions.

Under current conditions, actual wealth is determined primarily by the creative potential of the people, and consequently by all that facilitates its development: Flexibility of the production and economic organizational structure, labor relations, organization of education and science, level of culture, and last but not least the reduction in work time and increased leisure time which facilitates the development of the individual.

Thus, the high road of economics in the 21st century lies certainly not in the sphere of unlimited development of material production. Yet the decline of the multiplicative effect still does not testify to the inevitability of imminent decay of capitalism and the impossibility of its assimilating new spheres of development. On the contrary, it is specifically the decline of the multiplicative effect which facilitates the liberation of resources for this assimilation.

The growth of labor productivity and new material-saving technologies in the curtailed material-producing sectors which have high multiplicative effect in relation to intermediate expenditures and investments still do not counteract the curtailment [of these sectors]. On the contrary, they accelerate it and facilitate the transfer of resources to spheres (softized production, services), where the labor productivity ceases to be the main criterion, where the low multiplicative effect is compensated by high usefulness of the finished product, and where a high multiplicative effect is also fully possible in the sense of an income multiplier. To a certain degree, an analog to this is the growth of labor productivity in agriculture, which has led to "curtailment" of agriculture in the zone of developed capitalism, but at the same time also to an abundance of produce goods and wide-scale liberation of resources for the development of industry. It is no accident that the "revolution" in agriculture has turned out to be a prologue to the first industrial revolution, while the "second revolution" in agriculture—a prologue to the current scientific-technical revolution. So even now the revolutionary renovation of engineering

and technology in the processing industry, particularly in the material producing sectors, may be a prologue to the accelerated development in the sphere of non-material production and in the infrastructure.

Obviously, the possibility of a transition to a new sphere of development is for current capitalism only potential, as only the first steps have been taken for its implementation. Primary among the principle obstacles is the contradiction between the need to intensify the role of the market mechanism and the criterion of profit as a filter facilitating the selection of effective technology from among the great multitude of technological variants which science presents to the current economy, as well as the need for adhering to rather rigid social and economic limitations in order to retain a relative stability of current capitalist society. Stability to a certain degree contradicts flexibility and mobility, but without social stability, flexibility and mobility of production and of the economy become meaningless on the whole (8, 1988, No 1, p 51-61). For example, the flexibility of using the work force to a certain measure undermines the interest of the entrepreneurs in the organization of production training. The deregulation of entrepreneurship and labor relations, specifically, increase to a certain degree the short-term flexibility of the capitalist economy and in individual cases even facilitate a reduction in the unemployment level (for example—the USA), but are unable to solve the long-term structural problems associated with retraining huge masses of liberated labor resources and transferring them to new spheres of development. From the standpoint of ability to compete and short-term profitability, measures such as intensification of labor, wage freezes, reduction of social dues and rejection of shorter work days are expedient for the entrepreneurs. However, from the standpoint of long-term tendencies in the structural-technological reorganization, the development of the system of social amortization and the continued reduction of the work day are not so much a means of reducing the level of unemployment as they are a necessary condition for formulating a worker who is adequate to the new conditions. This determines whether the further course of development will give rise to additional masses of marginal workers or whether an ever larger portion of the work force will be involved in new spheres of production.

We cannot say that the ruling circles in the zone of developed capitalism, and moreover the broad circles of entrepreneurship, entirely do not understand the situation which is arising and are guided only by near-sighted considerations. The initial, rough policy of "social revenge" is ever more often replaced by efforts at formulating a new, "non-conservative consensus". Instead of the "dismantling" of social amortizers which was anticipated (and proclaimed) by the neo-conservatives, they themselves are more often changing over to the reorganization of this system based on new principles which correspond more greatly to the capitalist form of adaptation to the changing conditions of reproduction. The goals of the reorganization are to give the system

flexibility, differentiation and segmentation, as well as privatization to a considerable degree. The new flexible forms are used in the sphere of organization of labor relations. Private social insurance companies are undergoing significant development, and their relative share is increasing in the system of social amortizers. Great importance is ascribed to the diffusion of ownership of housing and to distribution of stock among the company personnel.

The evolution of the policy of the M. Thatcher government in the sphere of social expenditures, the sale of municipal housing to apartment renters and the sale of stock in denationalized enterprises to their personnel, the program of the Japanese government in the sphere of development of domestic demand and the reduction of work time all show that the neo-conservatives are not simply implementing a "dismantling" of the social amortizers, but are after all considering the signs of the times and the resistance of the working class and trying to create a "new consensus".

Nevertheless, the global problem of a new model of regulation—the combination of local flexibility with global stability under conditions of the current capitalist economy—is still far from being solved. The very essence of capitalism as a social formation hinders the development of such forms of state-monopolistic regulation which would ensure preservation of the multiplicity and mobility with a sufficiently high level of social stability (regulation not as a means of unification, but as a means of ensuring the coexistence of various elements).

In the short- and medium-range future, the development of structural- technological reorganization has caused shifts in the geographical placement of productive forces and has entailed a number of significant imbalances which are being complicated by the continuing arms race. The imbalances are manifested in the financial sphere, in foreign economic relations, and on the labor market. Although for the fifth year in a row the primary countries of developed capitalism have experienced economic growth, according to the predictions of OECD, even if there is no cyclic decline, the number of unemployed in the zone of developed capitalism up to 1989 inclusively will comprise about 30-32 million people. As yet, no significant changes are occurring in regard to the indebtedness of the developing countries.

Structural-technological reorganization in the zone of developed capitalism also conceals long-term dangers. Among these are: The danger of de-industrialization, the possibility of anti-ecological or militaristic directionality of reorganization, and the implementation of reorganization due to suppression of the interests of the workers, primarily in the social sphere.

#### FOOTNOTES

1. The problems of the structural crisis and structural-technological reorganization were reviewed in detail by the author in a number of works (Cf.: Structural Crisis in

the Industrially Developed Capitalist Countries: Some General Characteristics. In: "The Working Class in the World Revolutionary Process. Yearbook". M., 1985; Capitalism in the Labyrinths of Structural Crisis. "RK i SM", 1985, No 3, p 63-80.

2. In Japan machine tool builders are changing over from the production of generalized standard products to the output of products of special function with consideration for their specific demand. "Electronic marketing" is used, which makes it possible to almost instantaneously consider the individual demands of the customers (4).

3. For more details about the "Saturn" agreement, cf.: Tarasova, N. N. The "Saturn" Agreement—The First Page in the "New Era" in Trade Relations. RK i SM, 1988, No 2, p 92-104. As the author points out: "...we are speaking of the final rejection of the system of scientific organization of labor developed by F. Taylor back at the beginning of the century and later improved by H. Ford as applied to the flow-line conveyer production". It "showed its unsuitability as applied to flexible production systems" (p. 95). The basis for the new system is "...the increased motivation of labor, the closer adaptation of workers to the interests of 'their' company, and the ordering of cooperation relations between the workers and the management."

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[Text] The range of problems which might be encompassed by the concept of "world labor" as used by the experts at the International Labor Organization (ILO) is just as inexhaustible as the content of human labor activity is extensive. Ultimately, even the most complex creation of nature—man himself—in his formulation and development is to a decisive degree indebted to His Majesty Labor.

The general importance of labor common to all mankind can hardly be subjected to doubt. Nevertheless, under conditions of various socio-economic systems its content may vary. Moreover, in a certain sense it is contradictory, particularly if we turn to the political-economic aspect of labor activity. In capitalist society, human labor is subordinated to capital and acts primarily as a commodity. In socialist society it has lost this quality and has to a significant degree become a means of self-expression (even under command-bureaucratic dominance). Although in both cases something common and fundamentally important is retained: For the overwhelming majority of people, labor remains a means of ensuring material and spiritual life benefits, a means of physical existence itself. Everything is just as it was described at the 14th Congress of the International Conference of Free Trade Unions held in Melbourne (March 1988), as well as by the authors of the new ILO study: For the overwhelming majority of the world's population, labor is the only means of obtaining income and achieving a sense of material security.

To show what labor provides under conditions of different countries—capitalist, developing, and socialist; what the level of remuneration is for labor, as well as the level of income and well-being—that is the task which the ILO experts chose to undertake in their next, third volume of the multi-volume study published under the general title of "World Labor Report". [1] We admit that this task was a very exhaustive one, yet they were able to master it to our general satisfaction, developing a praiseworthy

report on the real state of affairs in the sphere of "labor income" (p 3) and continuing in a worthy manner the series of publications begun in 1984.

We will note that even at the stage of preparation of the second volume, in the course of its studies on the problems of labor and labor relations, the ILO first began to examine on an equal basis, so to speak, the specific aspects of world labor not only "in the countries with a market economy"—the industrially developed and developing countries, but also "in the countries with a centrally planned economy"—the socialist countries. The first and second volumes analyzed the general economic problems and social structures, including the trade unions of almost all the world countries. The authors tried to reject the customary canons and stereotypes of times past, when even the ILO was often turned into an arena for ideological conflicts, and to focus the attention of governments, entrepreneurs and trade unions on the positive and negative tendencies for the workers in the sphere of labor and labor relations and in the positions of various categories of workers.

Such a manner of analysis was adopted also by the author's collective for the third volume. It is based on an examination of the abundant factual material, national official documents and scientific literature in a comparative plane according to three groups of countries: The industrially developed capitalist countries, the developing countries, and the socialist countries. Aside from what we have noted above, its primary advantage, in our opinion, is that it enriches our knowledge and expands our understanding about one more rather important and current set of problems of today's real, and not imagined, world labor.

This time the ILO experts devote their work to an analysis of the labor income of hired workers and self-employed individuals, both urban and rural. We might add that they do this in the context of general economic and social processes—changes in the spheres of employment, labor relations, social provision, and professional training. The authors try to show how income fluctuates depending on a number of domestic and foreign factors, and how it is affected by the demands for social justice in labor wages and consideration of production effectiveness.

The basic conclusion of the study presented in the third volume is extremely disconcerting. It is summarized by the official bulletin *ILO OL INFORMATION* (No 4, October 1987) in the words appearing in the headline to the annotation: "Position of World Labor is Deteriorating". The recent general director of the International Labor Bureau (ILB), F. Blanchard, notes in his foreword to the volume that "the situation in world labor has deteriorated even more since the first two volumes of 'World Labor Report' were published in 1984 and 1985." His general conclusion is as follows: "Real income from labor has dropped in many countries..."

This fact is exposed and substantiated by the volume's authors on the basis of a strong analysis of the economic and social factors determining the material position of the workers and their income. These factors are: The development of the economy, the dynamics of production effectiveness levels, employment and unemployment, social provision, the state of labor ("industrial") relations, and many others. Such an approach, as we believe, is rather productive. It makes it possible, in our opinion, to differentially evaluate the dynamics of labor income in various countries and regions.

#### **Problems of Increasing Production Effectiveness and Employment of the Work Force**

In spite of all the multiplicity of factors affecting the formulation of income in different countries and under conditions of different socio-economic systems, the key factors, as follows from the materials of the third volume of "World Labor Report", are such interrelated ones as the level of production effectiveness and the methods and forms of labor functioning. It is these factors to which the ILO researches gave primary attention, examining in detail the basic components of the global sphere of labor, and specifically—two types of employment: official [hired] and self-employed labor, leaving out home labor which was not covered and not considered in the statistics.

In examining the problems of employment, the authors proceed from the concept of labor activity generally accepted by the ILO and oriented toward the satisfaction of man's needs. The main components in this concept, which aspires to a universal character, are the principles requiring: Expansion of the sphere of labor application; consideration of all types of man's economic and socially beneficial labor activity; distribution of the entire volume of work among the adult population; determination of an annual guaranteed income; personification of the structure of man's life activity and fractional nature of the conditions and forms of his work. Without delving into an examination of each principle of this conception, we will note its unquestionable attractiveness and at the same time, judging by the actual results, its rather weak effectiveness, if we consider the interests of the workers. In fact, it is directed toward adapting employment to the new labor market conditions and to the conditions of capitalist economic management at the current stage of organizational-technological changes caused by the scientific-technical revolution.

The concept of effective employment is closer to the realities of the time. It provides for the national and effective application of labor resources, their prudent distribution by sectors of the economy, the direct dependence of income on the end results of labor, and an interest in increasing labor productivity and high quality of production by each worker and enterprise, and by

each sector under conditions of economic independence. Such a concept is applied under the conditions of a socialist society, its reorganization and economic reforms.

The ever-present need for economic growth (and in this the trade unions are not excluded) necessitates and has necessitated most world countries to give the most serious attention to the problem of effectiveness in all aspects of labor application. In the developed capitalist countries the wage level is ever more closely tied with the effectiveness of production and labor. And is there not reason here to stop and think? Are the new approaches to evaluating labor in the non-socialist world imbued to some degree with "new thinking" and a most active consideration of the human factor, which in the socialist countries are currently accepted as the determining factors in the moving ahead?

If this is so, then the ILO should not overlook the similar role in formation of the mechanisms of labor functioning of the so-called countries with a centralized planned economy, as the socialist countries are called to this day. After all, they cannot overlook the fact that here in the impending epoch of renovation there is already a redistribution of a significant portion of power and authority: From the party organs to the state, from the executive to the representative, and from the central to the republic and local. "Such a redistribution," as Academician T. I. Zaslavskaya justifiably, in our view, believes (cf. IZVESTIYA, 25 December 1988), "will allow us to overcome the excessive concentration of political (and correspondingly also economic) power".

The ILO experts correctly note that even for the developing countries the question of income levels rests primarily on the problem of increasing the effectiveness of production and labor, as well as on expanding employment in this connection. However, both have proven to be practically impossible in view of the deterioration of the general economic position in the 80's. Added to the difficulties of the 70's were the negative external factors (decline in prices on export products, limited access to the markets of developed capitalist countries, exhaustion of the influx of capital from the latter, and others). There has been an "exacerbation of the foreign debt" (as the ILO calls this extremely painful problem for the "third world"). Also, we must consider the devastating draughts in Africa, and the spread of hunger to other regions.

All this, in the opinion of the authors of the study, explains why many governments of the developing countries in the 80's have tried unsuccessfully to solve this dual problem: To adapt to the unfavorable foreign situation and at the same time to implement their plans for development. This is why they "froze" and reduced wages, cut back on social expenditures, and facilitated changes in the price structure which were unfavorable to the workers. And finally, this is why the past decade has become not a "decade of development", as the U.N. had anticipated, but a time of decline in real national

income. In fact, in the "third world" regions there is clear stagnation or reduction in general employment, especially in the African countries located south of the Sahara, and in Latin America. The difficulties are not quite as pressing in Asia and North Africa, where the structure of employment has been distinguished by "extreme variation". In these areas, according to the data of experts, there was an expansion of "temporary" employment and an increase in the number of "self-employed individuals". The authors of the study were very concerned by the general tendency to reduce state expenditures on vocational training, which they noted in all the regions, although in some places this is compensated by the tendency to bring together vocational training at state centers with training in production and on the job.

In the opinion of the ILO experts, the determining factors in the industrially developed capitalist countries remain the crisis phenomena of the 80's and the exacerbated problems of providing employment (perhaps not exclusively, but to a significant degree in connection with the introduction of microelectronic technology and the structural reorganization of the economy). The main problem in these countries, as before, is considered to be the task of achieving "full employment". [2] Unemployment, according to the evaluation of the report's authors, remains "unacceptably high" (p. 127). In 1986 its level comprised slightly less than 8 percent of the work force (in individual countries it fluctuated from 1 to 20 percent).

The very character of employment is changing significantly. Its decentralization is increasing. "Self-employment" and part-time employment are on the upswing. The latter has increased by 2.5 million in the 3 years since 1982, and in 1985 it reached about 45 million people who were working part-time. Having concluded that this has not led to an easing of unemployment, the trade union centers are placing their primary wage in the struggle for solving this problem, judging by the announcements at all their congresses in recent years (including also the 14th MKSP Congress), on reducing the work week. If we judge by the practical results of the trade unions' struggle in this direction, we see that the dynamics are far from synonymous: In 1980-1984 in 13 developed capitalist countries the duration of actual work time was reduced by 2 percent, and in 1984-1985 in 6 of those 10 countries where the study was conducted it began to increase (p. 28). The lack of synonymy seemed to give the ILO experts reason to overlook the direct connection between reduction in duration of actual work time and growth in unemployment and "atypical" forms of employment. However, in our opinion, while considering numerous other factors, we should hardly ignore this interconnection among them, which characterizes some rather important processes in the sphere of labor.

The volume's authors critically characterize the systems of social provision in the examined countries as being systems which have "reduced the social protection" of

the citizens due to the shortage of funds (p. 38, 43). Nevertheless, they were able to justify the "efforts to restore the financial balance of the social security systems" undertaken by the governments (USA in 1983, Spain and Japan in 1985, and Great Britain in 1986), clearly to the detriment of the workers. These measures went so far as to adopt radical reforms in the pension systems for the purpose of saving resources. We can hardly consider such a position to be logical if the experts themselves admit that even the significant expansion in recent years of the number of people receiving social security benefits is insufficient to "stop the growth of poverty" (p. 43).

Analyzing the problems of employment and production effectiveness in the socialist countries, the ILO experts note a serious shift in them toward an increase in the latter. Such phenomena evoked their interest as the continuing socio-economic development under conditions of in fact full employment, which was not shaken by the ongoing redistribution of the work force, as well as the desire by the state to provide optimal conditions for improving the professional-training level of the employed and the stable functioning of the social security systems. Specifically, they present the data on the increased expenditures in 1975-1984 for purposes of social provision (except for the GDR) and the growth in amounts of pensions and family benefits. It is true that they have overlooked important changes in these spheres which have taken place in the socialist countries in recent years. Yet the ILO experts have a reasonable justification for this: Their studies lag behind the processes of social reorientation which are gaining strength in these countries—the processes of economic development aimed in the direction of increasing the share of consumption in the national income. On the whole, however, the authors represent quite objectively the successes which have been achieved as well as the difficulties which the socialist countries are encountering in their large-scale work on reorganization of the economy.

#### **Problems of Labor ("Industrial") Relations under Conditions of the Struggle for Effectiveness**

The increased attention to problems of increasing the effectiveness of production and of the economy as a whole could not help but be expressed in the labor or so-called industrial relations, i.e., the relations of the labor collectives and trade unions with the management. The state of these relations influences the material position and income of the workers.

Speaking in a general plane about the current shifts in labor relations, F. Blanchard noted in his foreword that the development of more flexible forms of hiring and remuneration for labor facilitated the growth and effectiveness of the economy. It has motivated the governments and the "social partners" (entrepreneurs and trade unions) to review "many of their ideas" in the sphere of labor relations. At the same time, these stimulating

motives have intensified, as F. Blanchard rightly points out, the problem of fairness in regard to the workers. He is referring to the fact that the struggle of governments and entrepreneurs for ensuring the maximum effectiveness and flexibility in utilizing the work force is by far not always combined with fairness in regard to the workers themselves. Even the socialist countries cannot fully solve this problem. It is just such a conclusion which stems from the materials of the volume, although it is not that clearly formulated.

In analyzing the evolution of labor relations in the developing countries, the ILO experts show that the governments there play "a significantly greater role" in regulating the system of labor relations than they do in the developed capitalist countries. The systems themselves are distinguished in the first group of countries by greater stability, as well as by a narrower coverage of the work force contingents, primarily permanent hired workers, of whom only a small portion are protected by collective agreements.

The report admits that in the 80's there has been a weakening of the positions of trade unions in protecting the interests of workers in developing countries. This is explained by the fact that the governments, utilizing collective agreement practice, are intensifying control over the "social partners" (the ILO experts emphasize with condemnation that the International Currency Fund demands the implementation of "strict control" by the governments of Latin American and African countries having the largest foreign debt). Also, the trade unions themselves do not show any persistence in the matter of expanding organizational campaigns among the workers of the informal sectors, the part-time workers and the self-employed, most of whom remain outside the coverage of the trade unions. Under conditions of intensified economic difficulties and growth of inflation, unemployment and poverty, the protection of the workers' interests by the trade unions "inevitably becomes," states the report, "more difficult, if not impossible" (p 23). Many of the developing countries are implementing a policy of strict wage controls, called the policy of "harsh economy". A number of the Southeast Asian countries are introducing "pioneer sectors" or "free trade zones", in which the trade union's rights are limited both by law and by the legally unsanctioned will of the entrepreneurs. Binding arbitration is used more and more often under the dubious excuse of the need for protecting "public interests". We might add that in their interpretation of the indicated practice, the ILO experts refer primarily to the "economic circumstances". We can hardly agree with this, since anti-labor measures are often practiced in many of the "third world" countries, particularly in the states with military dictatorship regimes, to the benefit of local capital and the TNC [trans-national corporations].

In only a small number of the developing countries, including India, Malaysia, and Columbia, the trade unions are still able to enhance the content of the

collective agreement regulation of labor relations or to expand the sphere of its action, or to do both at the same time. However, in most of the "third world" countries which are experiencing serious economic difficulties, collective agreement practice falls under increasing state control and finds itself "in a dead end" (p 23). Some of these countries encourage the involvement of workers in the process of developing and making decisions, most often in the form of "joint consultations" (in Asia and in the countries of the Caribbean basin), or in the form of participation of trade union representatives in trilateral national labor organizations—usually on the basis of special charters or "behavior codes", as was the case in Malaysia, Kenya and Thailand, in Argentina and in a number of other Latin American countries. Although the ILO experts traditionally approve of "co-participation", this time they were forced to admit that the "practical application of co-participation turns out to be very difficult". The governments encourage it for the stabilization of the "industrial world", but the trade unions are seriously concerned by the fact that "co-participation" in its current form is used "for undermining its positions at the enterprise" (p 23).

The main problem in the development of labor relations in these countries remains, in the opinion of the ILO experts, the organization and protection of interests of part-time and self-employed workers, particularly in agriculture. The experts welcome the organization [of these workers] into trade unions, as well as into other associations "of the trade union type" (p 24-25).

Even more significant changes, in the opinion of the volume's authors, are taking place in the 80's in the systems of labor ("industrial") relations in the countries of developed capitalism. This is particularly true of collective agreements, which are subject to the "strong influence of economic and technological changes" (p 34). The exacerbation of economic difficulties and international competition, the expansion of the territorial-sectorial geography of distribution of the latest technology (we might add that it is now ever more widely used both by small and medium-sized enterprises), the continuing changes in the structure of employment (specifically, expansion of temporary forms of employment of the "peripheral" groups of workers, whose position, in the opinion of ILO experts, "is not at all enviable"), and the evolution of the psychological attitude toward labor by many workers, especially "marginals", and the re-evaluation by part of these workers of their views toward the need for "collective actions" and the existence of trade unions—the effect of all these factors on the systems of labor relations is analyzed by the authors with a certain degree of fullness and depth. They conclude that in most countries of this zone the trade unions are experiencing a "difficult period" (the ILO experts decline to speak about the "crisis of the trade unions"). They also conclude that "the political influence and collective agreement power of the trade unions have been weakened, the number of their members is declining in many of the developed countries, although in a

number of countries it has stabilized or even slightly increased" (p 34). As the reasons for this state of the trade unions, the report lists not only "the economic decline and structural reorganization", but also "the anti-trade union position of the management" which has intensified, particularly in North America, as well as the anti-union legislation, as for example in Great Britain (the ILO experts condemn this).

The following tendencies which were noted by the authors as being characteristic for collective-agreement practice in the industrially developed countries in the 80's also had a negative impact: a) increased state interference; b) decentralization of negotiations on concluding collective agreements, down to the level of the work sites in the West European countries; c) formulation of a "pragmatic" inclination in the approach toward collective bargaining agreements, i.e., a sharp shift in emphasis toward the need for giving priority consideration in the search for an agreement formula which reflects a balance of interests of the parties in terms of the degree of tension in the work force market and fluctuations in the sphere of employment, as well as in terms of the economic position of the specific company; d) a shift toward closer cooperation of the countries participating in the negotiations at all levels, down to the enterprises (p 34-35). Presenting numerous evidence of the new tendencies, the authors most often refrain from making the evaluations which suggest themselves, not to mention the condemnation of the anti-labor elements in these tendencies.

It is specifically in such a reassuring methodological tone that the report tells about how in the 80's "a large number of governments" of the developed capitalist countries intervened in the course of negotiations on concluding collective agreements, specifically at that stage when passions flared around the questions of setting wages and seeking means of solving important problems concerning the economy. In Australia, Spain and Italy the governments participated directly in trilateral centralized negotiations and in the conclusion of national "framework agreements" which set those allowable framework limits which the trade unions could not exceed in their demands. In a number of other countries, the governments resorted to other "compulsory measures" of intervention, in France—on a temporary basis, and in Belgium and Denmark—"on a mass scale and for a long time". In our opinion, the ILO experts were too cautious in their evaluations, especially since there was such intervention on the part of the governments which clearly ran counter to the known standards of ILO convention No 154 regarding assistance in concluding collective agreements, as well as to other international principles on conducting collective bargaining agreements. In recounting a number of cases of state intervention in the course of such negotiations at enterprises and in institutions of the state sector, where such intervention ended up being an imposition of the policy of "harsh economy" upon the trade unions and an ultimatum limitation of wage indexing, the ILO experts,

on the contrary, "bravely" approved of it. Yet the authors of the report must have been well aware of the fact that in the international workers and trade union movement, it is generally accepted to demonstrate one's negative attitude toward the policy of "harsh economy" as being contradictory to expression of "free" will in concluding the collective agreements. (We will recall that in Canada after the adoption of the 1982 law on "freezing" the wage levels in the state sectors, the trade unions filed a grievance with the ILO in 1983 which, unfortunately, this organization did not support).

Decentralization in conducting negotiations on concluding collective agreements is characteristic for the West European and Scandinavian countries, where before centralized sectorial and even all-national negotiations and agreements traditionally prevailed. In Sweden, Norway and Denmark the decentralized negotiations were repeatedly cut short. The same negotiations were stopped prior to 1986 in Belgium, cut short in Italy, and not held in the Netherlands, Portugal, or Ireland. Even in Spain, where trilateral centralized negotiations were held in recent years, they encountered difficulties, since the government no longer wanted to assume any additional responsibilities. In the opinion of the ILO experts, it is still early to predict the overall renewal of decentralization of negotiations in Western Europe (p 36).

The "pragmatic" approach to negotiations which arose at the beginning of the 80's at the initiative of entrepreneurs in the USA and was later adopted in other capitalist countries, is called upon to ensure the application of the institution of collective agreements as a tool for increasing the production effectiveness and the ability to compete by companies. For this purpose, in Belgium, the Netherlands, and Italy, collective agreements include principles which provide for the reduction of outlays for the work force, the limitation and even the blocking of the mechanism of wage indexing. In the USA and Canada since the early 80's, "collective agreements-concessions" have become widespread. These cut back labor wages and negate a number of important achievements of the trade unions, including certain guarantees of additional payments and retention of employment. Management is also striving to gain the agreement of the trade unions at the bargaining table for contract sanctioning of broader application of various "flexible" forms of hiring by companies, as well as the "flexibilization" of work time (lengthening or shortening its duration at the discretion of the employer).

The tendency for strengthening cooperation between employers, workers and their trade unions in the case effectiveness of collective agreements is encouraged not only by the entrepreneurs and governments of a number of countries, but also by the trade unions themselves. For example, the leaders of the AFL-CIO in 1985 called upon their member organizations and management to exhibit a "partnership approach" at the bargaining table, in the spirit of "closer cooperation" to countermand the traditional "confrontational approach". The development

and strengthening of the indicated tendency is achieved also by means of including principles on "social peace" in the collective agreements, and also by means of expanding the sphere of activity of the latter, as is done, for example, in the branches of the Japanese TNCs in England. This purpose is also served by encouraging such new experiments as the creation of "quality control groups", "cooperation committees", "joint decision-seeking groups", "progress groups" and other organizational structures concluded at the enterprise level within the framework of trade agreements. In recent years, big capital has begun giving increased attention to the development of such structures. And although the authors of the report traditionally support the line toward developing and renovating the methods of increasing the interest of the rank-and-file workers in the effectiveness of the enterprise's functioning, [3] nevertheless they must admit that the entrepreneurs use these experiments "in a number of cases" for edging out the trade unions and replacing collective agreement relations with individual ones. Thus, there is an "individualization" of labor relations, and at the same time a forced application by the entrepreneurs of a new—one-sided—policy of "labor resource management" (p 36).

Despite all the obvious anti-labor and anti-union directionality of these important modifications introduced by capital into its social strategy, the ILO experts limited themselves merely to a mention of them. Nevertheless, from the past experience of local and episodic attempts at "individualization" of labor relations, they could have drawn a lesson if they had wanted to: [These modifications] represent a method of attacking the rights of the trade unions often tried by state monopolistic capital. Yet unlike the experience of past years, the monopolies and the bourgeois state are today striving to apply the method of "individualization" not episodically, but systematically, not locally, but globally.

This is why in the 80's, under the old tried-and-true excuse of defending the rights of the individual against the "dictate" of the trade unions, legislative standards "on protecting the rights of individuals" have once again been passed. For example, the state of Idaho (USA) adopted a "right to work" law in 1985 which prohibited trade unions from entering articles about "union shop", and "check-off" (automatic deduction of union membership dues by the employer with their subsequent transfer into the union funds) in the collective agreements. Today, 21 states in the USA have similar anti-union statutes, which have been condemned by the forces in the workers' and trade union movement. In turn, the state of North Dakota, through a law passed in 1985, allowed its employees to join or not to join trade unions, i.e., it secured the "negative right of association". Such a "right" is recognized by legislation and judicial practice also in France, Belgium, Great Britain, Spain, and certain other capitalist countries (even the ILO supports this "right").

In the 80's, the ruling conservative party in Great Britain expressed a particularly great concern for "protecting the

rights of the individuals". Specifically, the well-known laws adopted there in 1980 and 1982 on "hired labor" sharply limited the protective collective-agreement capacities of the trade unions associated with their traditional right to invoke the "closed shop" rule. Today the trade unions do not have the right to force a worker to join the union, even if there is a collective agreement position regarding the "closed shop" rule, or if the worker refuses to become a union member for some serious conviction, religious beliefs, etc. Even monetary compensation is provided for workers who have been fired at the demand of the union because of his refusal to join or belong to that union. In December of 1985 this compensation for "non-unionism" was increased to 25,700 pounds sterling, which is 3.5 times higher than the maximal payments in the case of standard unlawful firing of a worker and refusal of the employer to reinstate him at the decision of the labor board. It is characteristic that the British government, having prohibited the activity of the Union of Communications Center Workers in the city of Cheltnem in 1984, promised monetary payments to workers who voluntarily left the union. And, as we know, strike breakers were tempted by this "bribe", citing the exceptional rights of the individual.

The authors of the report touch very briefly on the current problem of increased employer interest in seeking and developing "flexible forms" of utilizing the work force. There can be no argument that the demands presented by the state-monopolistic circles in the 80's on giving the employers greater "flexibility", freedom to maneuver in the matter of hiring and management of the work force and in regulating the duration of the work time and other labor conditions, were determined by the objective need for effectively adapting to the situation which was rapidly changing under the influence of the current stage of the scientific technical revolution, both in the plane of continuous organizational-technological modernization of production, as well as in the plane of changes in market demand for a certain type of product or for the technology for its manufacture. In the socialist countries, more flexible forms of managing the economy and the labor resources are also being introduced with consideration for the demands presented by the scientific-technical revolution—on the part of accelerating organizational-technological reorganization, as well as on the level of stepping up the human factor. Yet at the same time, socialist society is developing and introducing new models of managing the formulation and reproduction of labor conditions healthy to man. State-monopolistic capital is not forcing the application of "flexibility" without sufficient protection of the interests of workers and trade unions. Special laws sanctioning this practice were adopted in the 80's in a number of the capitalist countries (France, Belgium, FRG, Spain, and Italy).

The new legislation on "flexibility" allows employers to arbitrarily change the length of the work day, and also to hire workers more frequently on the basis of agreements

on temporary, daily, and urgent work based on part-time, seasonal, and home work conditions. The laws on "flexibility" and the practice of their application expand the authority of management at enterprises in spite of the collective agreements and even in spite of the individual standards of protective labor legislation previously won by the working class. They undermine the rights of the trade unions and facilitate the replenishment of the "socially unprotected" strata of workers. Unfortunately, this aspect of "flexible" reaction of state monopolistic capital to the objective developmental needs of the productive forces at the current stage of the scientific-technical revolution has remained outside the scope of the report's authors. Already today it is a generally known fact that the leading forces in the workers' and trade union movement are speaking out ever more persistently against the application of the method of "flexibility" contrary to interests of the workers and the trade unions.

#### **Tendencies for Decline in Labor Income and Real Wages**

The ILO experts begin their overview of the dynamics of labor income in the "third world" with an analysis of the tendencies in dynamics of income from labor in rural areas. This is no accident. Over 60 percent of the work force of developing countries is engaged in agriculture. Its distribution is not uniform throughout the regions. Farm workers comprise over  $\frac{3}{4}$  of the work force in Africa south of the Sahara and in Southern Asia, 40 percent in North Africa and Western Asia, and less than 30 percent in Latin America (in the developed capitalist countries—7 percent, and in the socialist states—17 percent in 1985). The relative share of women's labor varies. It is 40 percent in Africa south of the Sahara and 10 percent in Latin America (p 63).

Africa is characterized not only as the most agrarian and farm product export-oriented continent among the developing regions, but also as the one with the least developed trade. Also, it is experiencing a deep economic decline. In speaking about the latter changes in the African economy, the authors believe that despite the rather active orientation of a number of countries toward industrial activity (oil extraction—Nigeria, Gabon and the Congo, mining of mineral raw materials—Botswana, Zaire and Zambia), the dominant factor remains the agrarian economy, which provides employment for the majority of the population.

Among the reasons for the economic crisis which has afflicted most African countries in the 80's and for the reduction in the relative share of the per capita gross national product, we may note periodic draughts, a decline in prices on exported agricultural products, political instability (frequent change of leadership in many countries), as well as discriminative state policy in regard to agriculture (low capital investments and high taxes on export products, low purchase prices for the farmers).

The intensification of the urbanization process introduces various corrections into the relations between the city and the village and into the dynamics of the income of urban and rural residents. Domestic inflation undercuts the income of the city hired workers and reduces the demand for food products. It also reduces the income of the rural producers. Thus, the buying power of farm prices in Ghana dropped by 64 percent in 1975-1985 and by 60 percent in Uganda in 1972-1984.

The authors of the report are trying to avoid "overemphasis" in their evaluation of the economic difficulties of the region. Admitting, specifically, that there has been a reduction in the volume of export, a reduction in the price levels, in the volume of per capita food production and in farm income in the countries south of the Sahara, they maintain that the situation is not as catastrophic as is generally believed (p 70). They draw the following conclusion: On the whole, African farmers maintain their ability to feed their families, although their income from the sale of export cultures is steadily dropping. This conclusion is substantiated by the reference to the fact that, evidently,  $\frac{2}{3}$  of the income of the African farmer consists of food products for his own consumption. In this case, and with consideration of other factors, the decline in income may be evaluated within the limits of from 14 to 33 percent.

The position of hired farm workers has also deteriorated. There has been a sharp reduction in their real wages in Tanzania, the Ivory Coast and Ghana, and a less significant reduction in Kenya, Burundi, Malawi, and Zambia. On the other hand, there has been a slight increase in Swaziland and Zimbabwe. On the whole for Africa there is a characteristic general long-term tendency toward reduction in the real wages of farm workers. Noting this fact, the authors nevertheless explain that even for the heads of households in the agrarian sector, wages are sooner the exception than the rule. Only 5 percent engaged in this sector are employed full-time. Poverty and hunger, as before, remain a typical and mass phenomenon for the rural and urban residents of Africa.

In the countries of Asia, the income of the rural population is influenced by such as factors as the high population growth, the shortage of arable land, and the relatively higher demand for a work force. In this region the social contrasts are even greater than in Africa, although their rationale is different. While, for example, in such countries as South Korea and Malaysia the industrial employment is expanding and development occurs at a rapid pace, in Bangladesh, on the other hand, we observe a prolonged deterioration of the economic situation, which determines the tendency toward increase in low-income families and forces them to work more intensively on the land. In most of the countries of South and Southeast Asia, the self-employed are the dominant group in agriculture, including non-paid family members, and primarily women. However, in the past 15 years the portion of hired workers is increasing in the agrarian sector, including also in Bangladesh, India,

Pakistan, Thailand, and the Philippines. This leads also to the continuing growth in the scope of temporary employment of hired workers. Here, unlike Africa, land ownership plays a more significant role in obtaining income.

The material position of hired farm workers in South and Southeast Asia, if we evaluate it from the standpoint of the indicators of the dynamics of the wage received, appears on the whole to be more preferable than in the other developing countries, although even here it often has shown no improvement or has taken a turn for the worse. Here the very dynamics of wage fluctuations have borne a directly opposing character in different countries during comparable periods. For example, in Bangladesh the rate of the average real wage of trained farm workers dropped in the 70's, but then remained at the same level. The situation was different in South Korea. Here the wage of men engaged in agriculture increased by 139 percent from 1971 through 1979, and that of women—by 162 percent. However, since the start of the 80's the real wage of both men and women in this country has begun to drop. For workers at Philippine rice and corn plantations it dropped by 30 percent during the period of 1978-1985.

For the Latin American countries in recent decades there has been a characteristic process of reduction in the relative share of rural residents among the overall population (from 50 to 34 percent in the period of 1960-1980), as well as in the relative share of farm workers in the work force (from 49 to 32 percent during the same period). Analyzing the changes in the employment structure of these countries, the authors of the report pointed out a rather curious tendency. Specifically this is the slow increase in the relative share of those engaged in the traditional sector of the economy during the 70's. Also deserving of attention is the fact that the overall number of the Latin American agrarian proletariat has remained unchanged for the last 30 years. Another important conclusion reached by the authors of the report is that in the past 20 years there has been an increased tendency toward integration of the rural and urban labor markets, and that the agricultural work force "is becoming ever more urbanized" (p 83) and ever more actively involved in the non-agricultural activity of the urban population.

As for the dynamics of income and real wages, the beginning of the 80's was marked by a decline in its indicators. The real wage of farm workers declined in all the countries of Latin America with the exception of Columbia and Panama. A certain reduction was noted also in the differences in wage levels of agricultural workers and those engaged in other sectors. As before, runaway inflation reduces the buying power of the workers. The authors directly associate the dynamics of wages with the course of economic development—periods of relatively favorable market conditions and prolonged depressions. On the whole, an increase in rural poverty is noted, with the prospect of its continued growth.

The ILO experts tie in the clarification of the dynamics of wages in the industrially developed capitalist countries with an analysis of the effect which major changes in the economies of these countries have had on this dynamics. However, the experts do not analyze the influence which the struggle between the working class and the trade unions has had on it.

Based on the data presented in the report, they affirm that in the 70's there was a "significant" growth in wages, which was retained even in the period of "decline" in 1973-1974 after the first oil crisis (real wages fell only in the USA) (p 133). However, this growth did not correspond in sufficient degree to the changes in labor productivity and price levels, which led to a "rapid increase in real outlays for the work force". Moreover, in the 70's the usual interconnection between inflation and unemployment was disrupted. In the period of economic crisis, the abnormal level of inflation coexisted with considerable unemployment. (In the 24 OECD countries the level of inflation doubled from 1974 through 1981. At almost the same time (by 1982) there was a doubling of the overall unemployment rate in these same countries).

All this led to the fact that the governments of many capitalist countries, in order to combat stagnation, were supposedly forced as early as the 70's to resort to the policy of "containing" the increase in wages. In subsequent years, "all governments" began to implement this policy (p 133). Judging by the manner in which the ILO experts broadly substantiate the well-known conclusion of bourgeois specialists that "excessive" growth of wages, real outlays for payment of the work force, and, for that matter, even profits, were the reason for growth in unemployment (p 135-136), we can see that [these experts] thus gave this policy of "containment" a "sentence of acquittal". Also, there is no measure of doubt cast [on this acquittal] either by the stipulations which they make, such as the one concerning the causal role of the "excessive" growth of profits, or by their references to other opinions. In the crisis years of the early 80's, the growth rate of the real wage had dropped significantly, and in a number of countries real wages had already declined (for example in 1979-1983 in Sweden they dropped by 10 percent, in Norway—by 5 percent, and in the USA and Canada—by slightly less). However, this did not lead to a significant reduction in unemployment.

The "contained" growth of the labor wage in the 80's occurred not only as a result of the exaggeration of disproportions on the labor market, but also because of the changes in the wage regulation mechanism and in the corresponding state policy in the 80's. Therefore, the ILO experts focused in detail upon these changes. They considered the most significant innovation to be the application of the methods of "flexible reaction" to determine wages. This essentially is a closer coordination of the changes in wages, the outlays for the labor

force, and the fluctuations in inflation and unemployment levels (p 137). The ILO experts keep silent about the anti-labor character of such a practice.

Another serious innovation in wage regulation in the 80's is, in the opinion of the ILO experts, the sharply intensified government intervention in the matter of wage setting (p 139-140). It is explained, as the authors of the report maintain, by the desire to reduce inflation and hold back the rapid growth of wages by means of expanding employment. (In the 70's state policy regarding wages was supposedly aimed, in the opinion of the ILO experts, at affirming the principle of fairness and the more equal distribution of income. Some West European governments increased the minimum wage faster than the average wage was growing. In all the countries there was a significant reduction in the difference in wage levels for men and women).

Changes in the wage structure as well as changes in the labor wage systems were also observed in the 80's. There was an intensification in the differentiation of wages by professions, sectors, regions, and even enterprises. In some countries, the gap widened between the wage levels for men and women (p 146). At enterprises, the traditional piece-rate wage systems were ever more edged out by complex wage systems which provided for the integration of the wage amount with the labor effectiveness indicators of the workers. There was an increase in profit sharing plans for workers, in the programs of capital accumulation for investments, and in the purchase of stocks (certain trade unions, for example in France, spoke out against them).

In examining the questions of wages in the European socialist countries, the ILO experts try to note the new moments and peculiarities in the realization of the wage policy in these countries based on work quantity and quality in the interests of the subsequent growth of the living standard under the conditions of a gradual transition from the extensive to the intensive stage of development of production and of the economy as a whole.

In the period between 1970 and 1980, the real wage constantly increased in all the European socialist countries thanks to the increase in consumption funds. However, in the 80's its growth rate slowed down (except for Bulgaria and the GDR), while in Poland the real wage fell as a result of the well-known events taking place at the start of the decade. However, real income continued to grow in all the countries (except Poland), since it included not only wages, but also the numerous payments from the public consumption funds (the latter were financed primarily from the state budget and in the period from 1960 through 1982 their per capita amount increased several times over in all the countries). On the whole these countries were able to establish the necessary wage level without suffering from high inflation and without experiencing any social conflicts. They were able to do this, the authors believe, thanks to the "close interrelations between the ruling parties, the state and

the trade unions in the socialist countries" (p 153). However, this success ended in low labor productivity and labor shortage, as well as an insufficient supply of goods and underdevelopment of the sphere of services. Therefore, the socialist countries implemented reforms and resorted to decentralization of the wage systems. However, this entailed a series of new problems, and among them was the growth of inflation. Various methods must be used to solve these problems, including also the specific methods of wage regulation.

Having undertaken a reorganization of the wage systems, the socialist countries are experimenting in different directions, but the main thing is their desire to give flexibility to the tariff systems so that they would give more consideration to changes in the economy and the structure of the work force, taking into account not only level of training, but also work performed. There are proposals to increase the differentiation in wage levels, to pay for professional competency, creative approach and stresses, and to increase the prestige of engineering-technical and creative work. Exceptionally great importance is ascribed to the development of wage systems at enterprises. In this matter, the determining factor is the desire to give self-governing collectives the right to themselves determine the wage on the basis of centrally proscribed average wage growth indicators and allocated resources.

We cannot help but agree with the opinion of the authors regarding the fact that the new forms of labor organizations which are currently being introduced at enterprises of the socialist countries, as well as the various incentive forms of wages, will help to eliminate the traditional shortage in the work force and the existing contradiction between the principles of fairness and effectiveness of production in the labor wage (p 164). We must, however, note that all that has been said here by the authors regarding wages in socialist countries already lags behind the latest changes in the USSR and other socialist countries which have taken place in the course of reorganization. We must keep this in mind as we review the material of this chapter on wages in socialist countries which, on the whole, is fractional.

On the whole we must admit that the examined ILO report represents a rather current and valuable study. It has raised a most important problem for all world countries—the problem of seeking the most rational correlation between labor wages, income and production effectiveness, and the economy as a whole. And, although the report does not give any ready-made answers for solving this problem, it does present certain promising approaches to such a solution based on the achievement of social fairness. This is why this ILO report is of both theoretical and practical interest to a wide range of readers.

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**Wage Structure, Global Economic Development**  
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[Article by Sofya Iosifovna Kuznetsova, doctor of historical sciences and department head at the USSR Academy of Sciences INION [Institute of Scientific Information on Social Sciences]: "Social Fairness and Economic Effectiveness"]

[Text] The nuclear threat and the ecological crisis are the central topics in world science and publicistics today. Less attention is given to the general human aspects of the socio-economic life of society, although the challenge of the scientific-technical revolution has been presented to the entire world—to the capitalist as well as the socialist and developing countries. The task of intensifying the national economy exists everywhere. New requirements are presented for workers, which leads to the need for difficult technical-economic and social transformations.

In the third volume of the "World Labor Report" prepared by the ILO [International Labor Organization], the general human problem in the sphere of labor and wages is formulated in the subheading—"Income from labor: between fairness and effectiveness". In other words, the increasing attention throughout the world to the problem of labor effectiveness is at the same time inevitably associated with the problem of social fairness. Is it possible to have a harmonic combination of effectiveness and fairness, or are these concepts contradictory? What common answer do the different types of societies give to this question? Is the concept of social fairness synonymous?

The effectiveness of economic incentives for labor is determined in a relatively uniform manner—to what degree the wage structure of hired labor and the incomes of independent owners facilitates the economic growth and the solution of other economic problems. Primary among these problems is avoiding a high level of inflation, ensuring full employment, and achieving equilibrium in the balance of payments. It is more difficult to "measure" the relation of effectiveness and social fairness, since the very concept of the latter includes seemingly contradictory elements. In fact, the notion of fairness as equality has become deeply rooted in the public consciousness, and not only equality in opportunities, but also overall equality in income and consumption thanks to the help which society gives to the weak and the poor. This ideal of absolute levelling, on one hand, has been inherited from the communal and tribal institutions, where it developed due to the very scarcity of society's material resources and the approximately equal labor production. Anything "extra" that anyone might have had meant that it had been taken away from someone else, who had thereby been deprived not of an excess, but of a part of the physiological minimum needed for survival. On the other hand, as a continuation

of the struggle for eliminating the privileges of the exploiting classes, the socialist countries give particular attention to the provision of social protection for all people without exception, which unwillingly supports the egalitarian psychology.

Fairness, understood by the broad masses as equality (or reduction of inequality) of income, on the surface enters into contradiction with another of its elements—the principle of equal pay for equal work. More precisely, this is the most important principle of social fairness (the international proletariat fights for it, and it has been adopted by socialist society). It is perceived, generally, as a negation of discrimination in the labor wage, but without its logical continuation, which is the principle of unequal pay for unequal work. This means, consequently, fairness of a different level of income and consumption depending on the labor input. In this case, the subjective difficulty which the broad popular masses have in recognizing the fairness of the principle of unequal pay for unequal work is intensified by the objective difficulty of a clear delineation between skilled and unskilled, complex and simple labor, since there are no strict scientific criteria for defining this complexity.

The report groups the extensive factual material on employment and income into three basic sections: The developing countries (and the PRC is classed among them), the industrially developed countries with a market economy, and the countries with a centrally planned economy (referring to the socialist countries of Eastern Europe alone). The greatest attention (about 60 percent of the entire text) is given to the developing countries. This is understandable. That is where the main mass of poverty is concentrated, the employment situation is particularly alarming, and there is the largest gap between the scope of the problems of development provided by labor effectiveness and the material resources necessary for realization of social fairness. Moreover, these countries have been most greatly affected by the deterioration in the state of the world economy in the 80's. The African countries located to the south of the Sahara have suffered the most, as well as the countries of Latin America, and primarily urban families. Thus, in 1979-1985 in the cities of a number of countries the real wage declined by more than 50 percent. The sharpest drop occurred in Ghana (in 1983 less than 50 percent of the 1979 level); in Uganda in 1984 the minimum wage provided for only ¼ of the needs of families for basic products; in Tanzania in 1985—40 percent; in Peru in 1986, in El Salvador in 1985, and in Bolivia in 1984 the wages in the processing industry comprised no more than 60 percent of the 1980 level (p 11, 16).

Rural families in the countries of Africa south of the Sahara were less affected than urban families. The overall level of per capita food production here declined during 1965-1985, but this was reflected not so much in the nutrition of the rural families as in their monetary income due to a reduction in the sale of products to the

city and for export. Since  $\frac{1}{3}$  of the products of the average peasant farm goes for its own consumption, we may consider that on the whole the "real" income of rural families dropped by about 14 percent (p 70), i.e., significantly less than in the city.

Nevertheless, in the last decade there has been a significant change in the relation between rural and urban labor income, and accordingly the stereotype of "privileged city—poor farm" is fading, or more precisely, must finally fade into the past. This stereotype has become broadly affirmed in the scientific literature and in everyday consciousness due to the contraposition of the working village to the city as a whole—the focus of power and wealth of the state. However, for a comparison of rural and urban incomes it would be more correct to select that which is comparable, i.e., not the city and the village in general, but the working city and the working village.

What do the report's authors see as the obsolescence of stereotypes regarding the many-time increase of urban wages over rural income? First of all, most of the examples of such a discrepancy were presented for several countries in Africa in the first decade of their independence, when there were peculiar conditions. In the process of "Africanization", many Africans found work which before had been reserved for the Europeans. There was an increase in the influence of the trade unions, which played an important role in the struggle for independence. Ambitious projects of development were undertaken, whose effect was felt primarily in the cities. "Thus, the huge difference in income inherited from the colonial past changed its manifestation as the European-African breach and became a breach between the city and the village" (p 93). Therefore, the myth of the transformation of urban hired workers into a "working aristocracy" who enjoy great benefits as compared with rural residents became rather widespread in the literature.

Placing the emphasis on the deterioration of living conditions in the city in recent decades, the authors of the report overlook the question of whether urban "privilege" existed in the initial period of independence (and if so, in what measure). In reality, along with "Africanization", which had particular importance for the officials of the state apparatus, there was an acceleration in the process of general stabilization of the work force, since the normal functioning of the modern enterprises, transport, and institutions which were created demanded the transformation of migrants—temporary workers, into city dwellers—permanent workers. Naturally, this process led to the review of the labor wage, since in the period of supremacy of migrant labor its rates were determined by the needs of the worker himself, while his family remained in the village and continued to live off the land. However, to determine the wage rates of the permanent worker it was necessary to consider at least the minimal cost of maintaining his family in the city. The wage indices significantly increased, but

we must not be deluded by the figures of this growth. The latter reflected not the transformation of the workers into a "working aristocracy", and not even an increase in the living standard of the permanent worker's family (as would have been the case with growth of the corresponding index in a country with a wage which corresponded to a normal family subsistence minimum). Rather, it reflected merely the minimal provision of the worker's right to live in the city with his family.

In reality there was not so much a substitution of the European-African gap in income from colonial times by the city-village gap in the era of independence, as the report states. Rather, it was a case of the city's overcoming its "backwardness" in such an important indicator as providing the worker with the opportunity of living together with his family, if we consider the needs of the urban as well as the rural family, as well as the labor expenditure of the worker (intensity, duration, complexity, and skill level of his labor). Thus, even the African example of the "privileged" city in terms of the labor wage is not very convincing. As for the other developing countries, they (for example, Egypt and Indonesia) did not and do not have such a difference in incomes.

The difference in the average incomes of urban and rural residents in all the developing countries, as the report admits, does not mean the existence of an equally great difference in the labor income of workers of comparable skill level. It is simply that the skill level in the city is higher, and this accounts for the higher average indicators. If we compare wages for unskilled labor in the city and in the village, then, according to the data for 23 developing countries for the period of the second half of the 60's to the early 70's, this wage in the processing industry exceeded the corresponding indicator in agriculture by more than 50 percent in only 8 countries, and in transport—in 6 countries (94). [1] At the same time, we cannot forget the high cost of living in the city as compared with the village. We must also remember that "on one hand, the position of permanent workers is often better than we may judge from the information on their wages, thanks to the great possibilities for obtaining or maintaining employment and receiving additional social benefits from the employers, as well as having access to social services which are often concentrated in the city. On the other hand, the position of rural workers and to a certain degree also the workers of the informal sector may be better than we first supposed, since many prices and necessary expenditures in many cases (though not in all) which they encounter may be lower (as for example, expenditures for food, housing, transport, and fuel), and they also have greater capacity for additional earnings by other family members. It was usually assumed that these considerations, as well as the greater efforts required of workers in the formal sector, justified a certain difference in the labor wage in their favor. However, the exact value of this difference is the subject of serious debate" (p 94).

An analysis of the dynamics of the real wage in 41 developed countries studied for the period 1971-1985

showed that in 20 of them it had declined annually by more than 1 percent (a sharp drop of 30 percent or more occurred in Ethiopia, Ghana, Kenya, Tanzania, Zaire, Burma, and others). In 14 of the countries, it had increased annually by more than 1 percent (it rose by more than 50 percent in Brazil, South Korea, Malaysia, Singapore, and Tunisia). The changes in the real wage lagged behind the increase in the per capita GNP in 34 countries in the 70's and in 32 countries in the 80's (p 96-100).

The policy of reducing or containing real wages in most countries was associated with the programs of stabilization which were adopted of necessity in the name of overcoming economic crisis. However, it gradually became clear that such a policy by the governments not only leads to social conflicts, but also reduces the effectiveness of labor, most notably in the state sector and in the administrative apparatus. For example, in Ghana in 1984 the buying power of an official's wages comprised 6-20 percent of the 1977 level (p 101). This practically eliminated the motivational effect of wages, and sharply reduced the work effectiveness of the state sector. As a result, it was necessary to admit the necessity of increasing wages. In the Sudan in 1983 the real wage of those employed in the state sector did not exceed 20 percent of the 1970 level, which led to a deterioration of their work and was one of the reasons for the fall of the Nimeyri regime (p 102). The new government took certain measures to increase wages in the state sector.

While the wages of permanent city workers in the formal sector are not protected against the effect of inflation, the position of temporary workers in small-scale industry and all those employed in the informal sector is particularly vulnerable. Thus, in India at the non-registered enterprises of small-scale industry, the wages were about half of those in large-scale industry, and continued to decline throughout the 70's (data for Bombay, Madras, Calcutta, Akhmedabad). In Madras the income of independent owners and those employed in the informal sector declined in the 70's—75 percent of them earned less than 150 rupees per month, which corresponded to the cost of about 2 kg of rice a day (p 118). In the cities of West Bengal in 1977-1978 the daily wage of temporary workers comprised 7.36 rupees, and of permanent workers—12.01 rupees (p 119).

The great attention which the report gives to the ratio of incomes in the city and in the village is explained by the fact that this ratio is the central theme of debates about social fairness in the developing countries.

The provision of employment was identified as the main problem of the labor market in the industrially developed countries having a market economy. This is because unemployment grew in the 70's, and in the early 80's it increased sharply, and part-time employment became widespread. The growth of unemployment is explained in the report by the effect of the oil crisis (from 3.5 percent in 1973 to 5.2 percent in 1975 and 4.9

percent in 1979 to 8.5 percent in 1983, declining very insignificantly since that time) (p 27). In 1986 in this group of countries, according to ILO computations, there were up to 31 million people unemployed, with a large portion of these being out of work for over 1 year (in France—48 percent, in England—41 percent, in Spain—57 percent, and in the USA—9 percent) (p 28). Two tendencies have been noted since the early 80's. First of all, there has been a reduction in the relative share of persons working at large enterprises of the processing industry. Secondly, there has been a more rapid growth in the number of independent owners as compared with hired workers. The second tendency is similar to that which is taking place in the developing countries, but the authors of the report do not say whether it is merely a reaction to the growth of unemployment or whether it testifies to a long-term structural change.

On the whole for the industrially developed countries in the 80's there has been a characteristic reduction or slowing of the growth of real wages. We might add that in the 70's a number of countries took measures to smoothe out the inequities in income (in France, Netherlands, Greece, Spain, and Portugal the minimum wage increased faster than wages as a whole). Today, however, there is a more notable application of group forms of payment (under the new technology it is difficult to determine each individual's portion of labor), and the practice of tying the wage level in with work quality is more widespread.

It is very important what "image" of the labor market in a centrally planned economy—the socialist countries of Eastern Europe—the authors of the report present to the international reader. Generally, their presentation of the facts is rather objective. Particular attention is rightly given to the experience of the USSR. [2] They note the slowing of the growth rate in the work force and labor productivity in the early 80's. They present material characterizing the transition from the extensive to the intensive means of development (they list measures for stimulating scientific-technical progress, introduction of the brigade method, and granting of greater independence to enterprises, including the Law on the State Enterprise).

In 1981-1985, in connection with a reduction in the rate of economic development in the socialist countries, the growth in the real wage slowed down as compared with the 70's (the best indicators were in the GDR, the worst—in Poland, where the index fell 14.5 points) (p 152). However, this did not mean a reduction in real income, as the report assumes, since the payments from public consumption funds continued to increase as compared with wages. There was a 6.7-time per capita increase in these public consumption funds for the period of 1960-1982 in Bulgaria, 4.5 in the HPR, 2.7 in the GDR, 5.7 in Rumania, 4.6 in the USSR, and a 3.8-fold increase in the CSSR (p 153).

As for wages themselves, the differences in their levels in various sectors of the national economy were very great. We might add that in all countries those persons employed in the sphere of material non-agricultural production had a distinct advantage in all countries. In the agriculture of these countries the wages in 1970 were lower than the average level, while in 1985, although the gap had narrowed in most countries, the wages of farm workers increased slightly above the average level only in Czechoslovakia and Poland (p 157).

On the background of this positive shift, the unenviable position of the workers in the sphere of non-material production was even more evident. Thus, in the USSR for all those employed in this sphere the ratio of earnings to average labor wages declined throughout the country. In science there was a notable reduction in exceeding the average level (this excess was less in 1970 and in 1985 than it was in construction and in transport). In the spheres of education and culture there was an equally noticeable increase in the lag behind the average level. In the spheres of public health, social provision, sports and tourism the lag not only increased but became the largest as compared with all the other sectors of the national economy, as well as with all the other socialist countries (p 157). The report could not yet reflect the latest measures of the Soviet government to improve the position of the workers in public health and education (the latest statistical data presented were for 1985), but the acute need for [these measures] was most objectively clarified.

This same line of increased underestimation of mental labor, payment not so much for the highest results obtained by the national economy as for the willingness to work under difficult conditions and to engage in non-mechanized, tedious factory labor, is noted in the authors' comparison of the wages of workers and engineering-technical personnel. In 1970 in the USSR the wage of engineers and technicians comprised 136.3 percent of the wage of workers in industry. In 1980 it was 114.6 percent, in 1965-1980 a comparable index [3] had declined in Czechoslovakia from 135 to 115 percent, in Hungary from 155 to 137 percent, and in Poland from 164 to 129 percent (p 159).

Thus, the authors of the report conclude that the socialist countries of Eastern Europe placed the emphasis on one aspect of social fairness—reducing the difference in wages by increasing the income of low-paid workers. However, this led to levelling and to actual advantages for workers performing physical labor in industry. Today a course is being outlined which considers another aspect of fairness—the difference in labor determines the difference in wages. Among the measures taken for the purpose of eliminating levelling, the authors of the report point out the brigade method of payment: "it is assumed that this form of labor organization will play a decisive role in resolving the conflict between the concepts of fairness and effectiveness in countries with a centrally planned economy" (p 164).

The section on the developing countries gives a very high evaluation of the success achieved in the PRC as a result of the reform policies. Despite the extreme shortage of land (in 1984 there was 0.23 hectares of land for each worker in China, while in Sri Lanka there was 0.35 hectares, and in Pakistan—1.31 hectares) (p 75) the per capita grain production increased from 320 to 400 kg in 1978-1985 (p 12), the income of the peasants increased, and in the period of 1979-1985 unemployment declined from 6 to 1.8 percent (p 14).

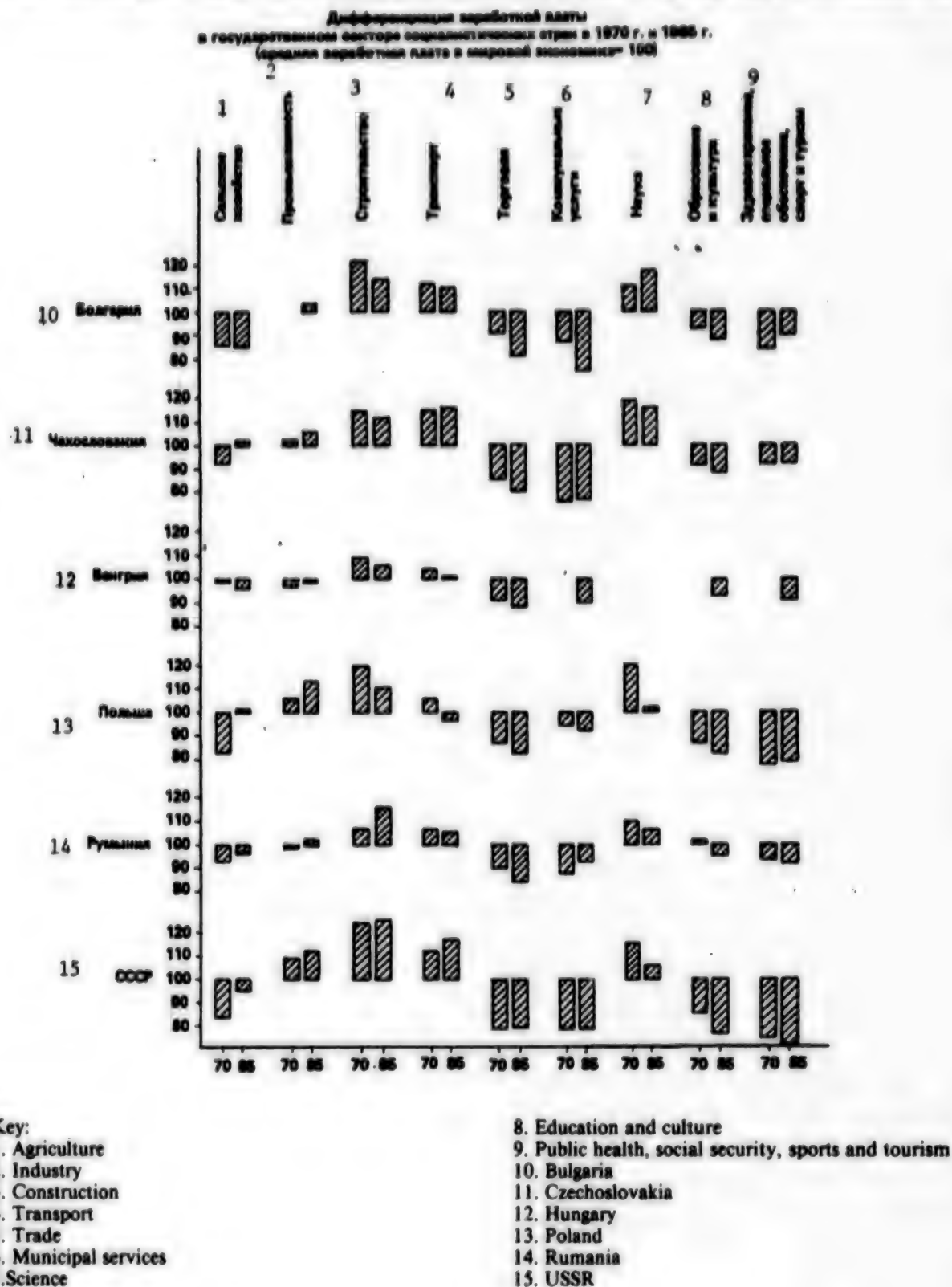
Thus, the relationship of social fairness and economic effectiveness is dialectically contradictory and is manifested in different ways in socialist and capitalist societies, and in the "third world". In the latter, the material resources for ensuring social fairness are still extremely scarce, and the progress of productive forces is more clearly delineated in the urban sector of the economy. As a result, the social impatience of the popular masses, who expect a real worsening of their position after winning independence, pushes them toward adopting the seemingly simplest means—redistribution in favor of the village at the expense of the city. While in reality the level of the labor income of city residents is determined by the level of economic effectiveness of the urban economy. This income is earned, and efforts to reduce it, justified by the myth of the "working aristocracy", would also mean a violation of social fairness, as well as a reduction in the economic effectiveness of the national economy as a whole.

Among the basic differences between the socialist and capitalist variants of the search for means of increasing effectiveness, we should mention the policy regarding employment. Unemployment in the industrially developed countries of the West is increasing, while the socialist countries are adopting a course toward social protection of the workers. We have not come to the conclusion that the provision of full social protection and social fairness requires an increase in economic effectiveness through the realization of the socialist principle of equal pay for equal work, and unequal pay for unequal work.

The solution of a problem common to all mankind—the intensification of development for the purpose of greater assimilation of the fruits of world civilization—cannot help but give a multitude of country and regional variants as the answers. Yet their deep-seated principle is the same: The need for an optimal combination, from the standpoint of time and place, of social fairness and economic effectiveness. This is truly a problem for all mankind. And we can hardly call it a simple coincidence that the common nature of certain socio-economic tendencies engendered by the scientific-technical revolution has led both socialist and capitalist societies to an orientation toward the same new forms of labor wages—the brigade contract order.

World experience in the struggle for social fairness shows that the lack of synonymity in the concept of fairness leads to the situation whereby at different stages of

Differentiation in labor wage in the state sector of socialist countries in 1970 and 1985 (average wage in world economy=100)



development and in different countries first one, then another of its elements is brought to the forefront. It is psychologically easier for the masses to perceive the levelling aspect of fairness which is backed by the vitality of socio-religious traditions, common feelings of humanity, and compassion for the underprivileged. The active acceptance of the principle of equal pay only for equal work requires a certain level of understanding of its significance and consequences, i.e., appropriate explanatory work, although in their deep essence both aspects of social fairness do not contradict each other. Society has an equal need both for economic stimuli to labor and general human feelings of compassion, since a worker must have both a desire to improve his level of professional training and the moral-ethical qualities of a man and a citizen. These qualities are mutually augmenting and do not exist without each other over the course of a long period of time.

Yet at the segment of the initial acceleration in economic development, we must choose the priorities, and first-rate importance is given to that aspect of social fairness which directly facilitates increased effectiveness, i.e., the principle of equal pay for equal work, and unequal—for unequal. And as, on the basis of the continued application of this economic stimulus for increasing production effectiveness, the general well-being of the country increases, material conditions are created for providing

greater social protection for all the workers, and for giving greater aid to the low-income groups of the population. In other words, in a society which has set its goals as the provision of both labor effectiveness and social fairness, we must speak about their varying combination in accordance with the economic reality, and moreover with the character of the political order of the country.

#### FOOTNOTES

1. The Report mentions that in the 19th century the ratio of wages of unskilled urban and rural labor in 7 of the currently industrially developed countries comprised 1.6 (non-weighted mean), including 1.2 in Japan and 2.0 in Australia (p 94).

2. A wide range of Soviet sources is used. Among these, on the topic of discussion about statistics, reference is made to the articles by V. Selyunin and G. Khanin, "Clever Number" (NOVYY MIR, 1987, No 2) and M. Korolev "Tasks of Reorganizing Statistics" (VESTNIK STATISTIKI, 1987, No 4).

3. Comparison with workers engaged in physical labor.

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**Perestroika's Impact on Development of Socialism**  
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*SOVREMENNYY MIR* in Russian  
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[Article by A.I. Volkov, doctor of historical sciences and professor in the Department for World Politics and International Activities of the CPSU of the Academy of Social Sciences under the CPSU Central Committee: "Who Are We, Where Are We Coming From and Where Are We Going..."]

[Text] It is no accident that perestroika and convergence are linked in an article written by Yu.V. Shishkov (*RABOCHIY KLAS I SOVREMENNYKH MIR*, No 1, 1989). The problem is indeed current. We Soviet specialists who took part in the international symposium in Athens convened by the Mediterranean Research Center were persistently questioned about this. Does not the logic of the utilization of commodity-money relations lead to a greater and greater isolation of producers, to an "erosion" of public property and to the formation of private capital? Is not such a process aided by the transformation of contemporary production on the basis of the latest technologies, which also requires a certain decentralization, in any case permits the establishment of small but efficient enterprises, which seemingly contradicts the one-direction process of the socialization of production? Does not the internationalization of production and, in particular, the formation of joint enterprises lead to convergence?

The questions are not idle and not unfounded. But it appears that it is possible to answer them more completely and confidently only in a broader context analyzing the development of socialism and simultaneously of capitalism and only in the process of the interpretation of the questions facing us with a new specificity: who are we, where did we come from and where are we going? This is part of a large range of problems affecting the fate of perestroika and its future.

# I

The notion of "perestroika" does not contain action goals determining the fundamental nature of the changes. Their basic directions were proposed by the party, of course. But it was not possible to present in full the nature and scope of the transformations prior to the start of real work. Now, when they are becoming visible, there is a more obvious striving of different social forces, politicians and scientists, publicists and simply individuals to give their interpretation of the meaning of perestroika and their assessment of its development and prospects. This striving reflects a collision of views and interests that is inevitable in the course of the major changes in economic, political and other social structures. This was perceived at the 19th Party Conference and it is not difficult to detect this in the press and in discussions at assemblies and meetings.

Recent months have brought a revival of discussion about the past. This cannot be considered strange or paradoxical, although perestroika is aimed at the future. To answer the questions about what we have built after October 1917, who we are and where we are means to determine for ourselves whether we can continue to move in the previous "channel," merely *improving the existing society*, or whether it is necessary to move to a certain *new stage* of development, to a new phase, or whether a *change in the "channel" of the movement*, of the existing model of society, is inevitable.

It is possible to distinguish a number of typical views on the society that has developed here up to the time of perestroika and a number of assessments that invariably relate to the theoretical notions about socialism.

Some categorically declare: "I do not consider the society that has been established here to be socialist" (historian Yu. N. Afanasyev, for example) (*PRAVDA*, 26 Jul 1988). At first glance, this position is attractive because of the sharp manner in which the question is formulated. After some thought, it turns out that there is no dispute that the process of building socialism is incomplete; this is almost a banality. But a position has been proposed that seemingly at once separates our entire history after October 1917 from the idea of socialism, even taking away responsibility from its supporters trying to implement it for everything that has taken place here. This is essentially an approach that "remakes a utopia" out of socialism. Are we not thereby escaping all the problems too easily?

Another point of view: it is socialism but "not that socialism," which was initiated by the founders of the doctrine of a new society replacing capitalism; it is "barracks socialism," "bureaucratic socialism," etc. In rereading today the article and speeches of L.D. Trotsky and Ye.A. Preobrazhenskiy as well as criticism of their views by N.I. Bukharin, you see that the concept of forced labor and a barracks-like organization of society had a serious basis at the time and that its actual realization in the politics of I.V. Stalin was no accident. The well-known Soviet economist G. S. Lisichkin, in approaching the problem from a somewhat different side, defends the point of view that under Stalin's leadership they built a "socialism according to Dyuring" and not according to Marx and Engels, for in reading "anti-Dyuring," Stalin assimilated not its teaching but precisely the views of Dyuring, which were close to him and more understandable and—the main thing—they conformed to his political objectives (*NOVYY MIR*, No 11, 1988). There is no use, however, objecting to the concept of "distortion" in such a connection but a distortion of what? We will return to this matter but for the time being I will note: a generalized and overly unequivocal assessment of completely different periods in the life of our society is hardly correct. It is more important to see the entire complexity and inconsistency of the real process, especially since it is difficult to agree with the notion of its completeness.

Still another position: "that," precisely "that" socialism, emotionally asserts Candidate of Economic Sciences L. Popkova (NOVYY MIR, No 5, 1987), bearing in mind that in the economic sphere at least a socialism was realized that matured in the minds of socialist utopians and was scientifically substantiated by Marx. Here the responsibility for all the imperfections of our society is attributed primarily to the creators of the idea and is removed from its realizers: they built according to a plan that was defective. Unfortunately, attempts to refute this point of view were most often linked with a simplification of the author's thought. It seems to me that L. Popkova sought to prove the groundlessness of notions of a particularly rational organization of the economy and society, without a market, without competition and without the costs that are associated with them but that result in many advantages in comparison with an economy that is based on attempts to plan in advance and predetermine all the behavior of the individual and to calculate value, which, according to Marx, "...is distinguished from the widow Quickly in that you do not know how to get hold of it" (Marx, K. and Engels, F., "Complete Works," Vol 23, p 56). One cannot disagree with this thought of the author without conflicting with the facts. But it is difficult to put "all of the blame" on the classic authors. For they presumed (and spoke about this) that the descendants will be smarter and will apply their teaching with intelligence. The approach of L. Popkova corresponds in a unique way with the assertions of the inevitability of the negative occurrences that took place in the past and the inevitability of Stalinism, although in the latter case the emphasis shifts to the objective conditions for the realization of the idea.

It is worth while to emphasize the following notion: for 70 years, the idea of socialism has been experienced in our country in life and in practice and, despite all the difficulties experienced, the people cannot conceive of a future outside of socialism. This alone, in the opinion of the supporters of this point of view, infers an important characteristic of the essence of the social order. Stalin and those around him deformed socialism monstrously but in the process the objective requirements for the establishment of industry and the country's defense were fulfilled. And the people followed the leaders, believing in practical matters and not knowing the whole truth about Stalin's crimes. Socialism therefore survived the most bitter time; it lived above all in the consciousness and constructive labor of the people. Such a notion was set forth by I.A. Dedkov and O.R. Latsis (PRAVDA, 31 July 1988). Here is found an interesting observation: the ideal of socialism and the mood and hope engendered by October did indeed live in the masses and the belief in them was great even when the powers that be gambled on this for their own selfish purposes. But in such an approach, despite subsequent attempts of the authors to give their opinion of the dynamics of our society, the notion of the essence of socialism is "blurred" (it is not

in the construction of industry!) and the characteristics of the really existing social relations is replaced by an analysis of the realm of the consciousness and behavior of people.

It is possible that the views presented are somewhat simplified in their concise exposition. Doubtless the point of view of each author is interesting and contributes in its own way to a comprehensive and multidimensional vision of the subject. I analyze the views of people whom I respect without considering it necessary to argue with those striving to justify everything that was and satisfied with everything that is, with those lucky people to whom everything is clear—people like, let us say, V.I. Oleyunik, who from the rostrum of the 19th Party Conference expressed indignation with the fact that "scientists and theoreticians...restructured themselves to the point where they suddenly asked themselves: What, in general, did we build?" Do not be distressed but be glad, colleagues: formerly they put people in prison or did worse things for such questions but now they are merely reproved for being far from the people, like "Decembrists" (PRAVDA, 2 July 1988). But the examined approaches, in my view, also reveal a methodological shortcoming that complicates the understanding of the real processes. As for the building of socialism, they talk as though it is a matter of putting into effect the Hegelian "absolute idea," a kind of "absolute idea of socialism." Meanwhile, both Marx and Lenin came out sharply against such an approach, stressing that socialism is built not by design and that it grows out of the rejection of capitalism through the resolution of specific contradictions. Here I will allow myself to present a well-known but very current comment: "Communism for us is *not a state* that must be established and not an ideal with which reality must conform. We call communism an *actual* movement that destroys the present state" (Marx and Engels, Vol 3, p 34). This, of course, did not mean a negation of the role of the ideal in general but a negation of an overly abstract ideal with no relation to social reality. Lenin noted that Marx has no utopianism in the sense that he composed or fantasied a new society; he studies the rise of a new society from the old as a natural historic process (Lenin, V.I., "Complete Works," Vol 33, p 48).

Such an understanding of socialism requires a realistic assessment of the conditions under which a socialistic movement develops and it makes it possible to see that it can take place not in a single strictly predetermined "channel" but through many. Possible versions and branches of the movement form repeatedly and the peoples and leaders of the movement can face a choice again and again. This is a lengthy process taking place dissimilarly under different conditions in different countries. The choice of some particular "channel" takes place under the influence of objective as well as subjective factors.

In our view, among the possible versions for the development of the society from the moment when the domination of private capitalistic ownership and the

authority relying on it was demolished were more and less favorable ones. The development of capitalism was similar: it included democratic as well as authoritarian possibilities, even the possibility of fascism, which must not necessarily be realized but was realized in a number of countries by virtue of the convergence of many circumstances. The history of the socialist movement in our country knows military communism and the New Economic Policy, which can now be characterized as fundamentally different "channels" of the movement. It passed through very broad democracy and the predominance of a rigorous repressive regime and through the dynamic development of productive forces and stagnation, that is, *not through one "channel,"* as if it were the meandering course of a river seeking the direction for the most rapid movement but sometimes running into dead ends. By virtue of reasons that are a separate subject, what took place was by no means the best version of the possible development but deviations from the essence of socialism and from the sense of this movement were so great and went so far afield that in some periods it would be incorrect to call this development socialistic.

Nevertheless, and I would like to stress this, all negative aspects in the history of our society *cannot be viewed other than as the costs of building socialism*, as its distortion, although there could be no talk of a completed socialism. Such a development, did not lead, as is sometimes said, backwards but at times simply to an abyss, to the economic and moral failure of the society. The birth of a new society turned out to be considerably more prolonged and painful than was previously thought.

The distortions were manifested especially clearly here in the 1930's, 1950's, 1970's and 1980's. After the 20th CPSU Congress, attempts were made to straighten the course of the movement and some important things were done that influence today's perestroika as well but these attempts were not fully developed and a new and profound crisis came to a head in the society. For this reason, the author is solidary only with those who, in speaking about perestroika, have in mind not the perfecting of our society and not the next naturally prepared "stage" in its development but precisely the replacing of the "channel" of the movement or, as Academician O.T. Bogomolov calls this, a *changing of the model of socialism* (KOMMUNIST, No 16, 1987, pp 93-94). Our optimism may be based on the fact that as a result of the interpretation of everything that we have experienced and of the difficult road that we have traveled we were able to come to such a conclusion and to accomplish this turnaround or at least begin it.

## II

Do the essential features characterizing socialism as a means of production and as a social order disappear in the approach to socialism as a movement and process that develops in specific ways under different conditions in different countries? In such an analysis, is there not an

"erosion" of the very values of socialism that make the struggle worthwhile to peoples? Can it be that here we are encountering "convergence." I do not think that there is any justification for an affirmative answer to these questions.

Until recent times, we named too many essential features of socialism—public ownership, which was identified with its state form, and the dictatorship of the proletariat, and the leading role of one party and planning. Even our closest friends and kindred spirits, the communists of many countries, could not accept this entire list of characteristics or the striving to consider as socialism only what is done in our way and image. The essential characteristics of the new order, if one proceeds from the teaching of Marx, had to do with the position of man in production and in society. The overcoming of capitalism and the movement toward socialism were above all the overcoming of hired labor and the raising of the worker to the rank of master of the means of production, that which Lenin simply and clearly called "work for oneself" (Lenin, V.I., "Complete Works," Vol 35, p 196). This is the overcoming of all forms of alienation, from property as well as from power. The characteristics of the society associated with this serve as the criteria for advancement along the path of the building of socialism or, as they sometimes say, "of the degree of being socialistic." What was done in this main area here and why was a fundamental and revolutionary perestroika needed?

The supremacy of private capital was eliminated in the course of the October Revolution and the individual ceased to be a hired worker. It would seem that a new epoch had begun, when he could really "work for himself," "without landowners and capitalists." But it soon turned out that the realization of the public nature of ownership represents a most complex problem not de jure but de facto. State ownership arose from the natural desire of the revolutionary forces who took over political power to grasp economic power as well. The transfer of the "commanding heights" in the economy from private to state hands appeared to be the very best means. The process of statification did not, however, develop in the optimum scope. That which was supposed to serve in the realization of the idea of "working for oneself" and as a means of achieving this goal was transformed into something else, even the opposite: not freeing but again subordinating the person of labor, turning him into an instrument of those who occupied the top posts in the state. The conclusion of the founders of Marxism, according to which statification in itself does not mean much, was confirmed. It is essential to have a real uniting of labor and ownership guaranteed through the entire system of economic relations, political democracy and laws. Meanwhile, the economic and political structures, relations and mechanisms that formed on the basis of the state after the rejection of the New Economic Policy again separated the working person from ownership and power. He again became a hired worker, now with the state, which formally seemed to be managed by

him but in essence was managed by an authoritarian force that appropriated for itself the right to dispose not only of the surplus product but of all product and, more than that, of the producer himself and human fates, just as in precapitalist formations. Stalin and those around him did everything they could so that the "theories" and rituals outwardly woven from Marxist phraseology would serve as an ideological cover for what no longer had any relationship to socialism (SOVETSKAYA LATVIA, 13 Aug 88).

After Stalinism was exposed and rejected, the *cult of the state* survived for a long time and to a considerable extent still survives. Nor has the alienation of the worker from ownership and power disappeared, although changes have taken place here. This is the main reason for the low efficiency of production and for the fact that a "society of sloth" has come into being, in whose system of values achievements in labor occupied a less and less significant place in comparison with the level of consumption based even on nonlabor income. This is the basis of moral distortions.

And now the most difficult thing in perestroika is the fact that the state holds in its hands the "keys to all doors" through which the initiative of the masses could rush, often opening them only a crack for this initiative. We love to say that in the countries of capital its owners know how to adapt to changing conditions. But our bureaucracy was no less capable in this sense, having a tremendous potential for survival and the ability to utilize any changes for its own benefit. This is seen especially clearly in the example of cooperation. Revived in the country with the support of the CPSU, it immediately became the "unwanted stepchild" of the bureaucracy. Why? Because by their very nature cooperatives are not subject to it, being in conflict with the administrative-command methods of management. They tried to "smother" them with taxes; it has not yet worked. They put up many barriers and created a situation in which "not prohibited" still does not mean "permitted": a piece of paper or a signature on a paper is needed for everything. Having established such a prohibitory atmosphere, it was quite simple to convert this into a source of income: a signature sometimes costs money now, often a great deal of money.

Lease relations are also still inadequate. Some people again want to put the entire blame on the negligent people: see, they do not want to "shift to leasing" because they have become lazy. But the "people" often simply do not agree with the lease conditions proposed by the state. Somewhere in the vicinity of Moscow, for example, they offer a peasant a "K-700" tractor, destructive in small-scale production, or a cow will not yield more than 2,000 liters of milk. And there is still no faith that tomorrow they will not arbitrarily dictate excessive confiscations or that they will not take away the leased land (just as they prohibited the holding of cows or stopped payments on loans). Much still needs to be done so that the people will consider the state to be truly theirs

and trust it, and therefore they must really become the master of the state. In the economy, clearly, the lease should be considered only a form of the transition to cooperation that more fully embodies the idea of "work for oneself." For the time being, leasing is closer to hired labor, because the rights of the master of ownership, the state, are too great in comparison with the rights of the direct producer. We are not yet close to "turning it over to the people."

An important purpose of perestroika is to untie all of these knots and to return in full to the laboring person the ownership and power that he gained and, at the same time, the responsibility for the future of the society. This determines two of its basic directions—radical economic reform and democratization.

### III

Now, about convergence. It is now rather easy to find much in common in the countries of capitalism and socialism. Here as well as there, there are many forms of ownership (state, cooperative, individual), although the scope of private enterprise is incomparable, of course. On the basis of the socialization of production, planning and regulation exist here as well as there. With the background of the scientific-technical revolution, many common problems and similar solutions arise. Here and there, I would note in particular, the following problem arises: new production requires a new worker but one who is creative (labor itself has become this), responsible and moral (for all major capacities are concentrated in his hands), who feels that he is a coparticipant in the collective work and that the work is his own; and this conflicts with the hired nature of labor and its alienated state.

At the same time, however, the new quality of interdependence in relation to the problem of the survival of the human race dictates the necessity of a new interaction of the two social systems in comparison with before. It is now not even imaginable for one to develop independently of the other. They will have to coexist for the foreseeable future. And it seems that everyone is already in agreement that mere "parallel" coexistence is impossible. To a significant degree, at least, it would create a danger of confrontation. It is inevitable that there will be the competition of the two types of responses that these social systems will give to the questions raised by life. But in competition the winner is the one who utilizes the best findings of the competitor and the one who ignores useful experience is doomed to lose. Essentially this means the *mutual influence of the systems* (KOMMUNIST, No 7, 1988, pp 79-90).

It would seem that everything speaks in favor of convergence. Well, it would be difficult even to object to it if in the capitalist as well as socialist world, with the transition from the industrial to the scientific-technical type of economic development, the conflict between the new

demands on labor, which is increasingly being transformed from private to universal, and on the worker, who is attaining not only new knowledge but also different social qualities, were resolved through *the new identity of labor and ownership*. It must be said that the representatives of capital are realizing more and more clearly that "...just as slavery and serfdom, hired labor is only a transitional and lower form..." (Marx and Engels, Vol 16, p 9). In practice, with respect to the efficiency of production, they sense the limited possibilities of hired, alienated labor and are involving the working people in management, in the distribution of profit, etc. But this is still a "cosmetic repair." Is it possible that there will be a systematic evolutionary movement along this path? This is the main question. If so, then should there be any objection? And are we not irritated by the word "convergence" because we invariably look at it seemingly from just one side: as if it necessarily requires our transition to the track of capitalism. Why is this, out of uncertainty about ourselves?

Still, when they asked me questions about convergence in connection with the formulation of the problem of qualitative changes in the system of socialism and the system of capitalism in the process of their lengthy coexistence and interaction and mutual influence, I answered that I do not see any reason to affirm this concept. Above all because the present world development is demonstrating a trend more toward diversity than toward uniformity. But if one presents the process of social development in a simplified and schematic manner, then of the two basic lines of this development not one but several form, perhaps three and perhaps five.... For the developing countries of Asia, Africa and Latin America are "tossing" us so many peculiar things, as V.I. Lenin foresaw. Compare China and Sweden, Vietnam and Austria, India and Brazil.... It is another matter that the process of the changes in productive forces and economic relations and ties, that revolution in all public life that is now taking place under the influence of the scientific and technical revolution, *is unfolding on a global scale*. Back in the 1970's, the Czech researcher Radovan Rikhta noted that the contemporary scientific and technical revolution is a process of the universal transformation of productive forces, above all its *human component*. *It is fundamentally changing the role and place of the individual in production and, at the same time, in the transformation of all conditions of their existence* (Rikhta, R., "Scientific-Technical Revolution and Social Sciences," Prague, 1976). *This is already a significantly more profound process than changes in equipment or the social consequences of such changes. It is comparable to the social revolution that took place in the transition from one social formation to another on a national scale, although this is something new and different. It is in this sense that one can speak of the "convergence of transformations" as of their interdependence and wholeness in a single largely integral world but one should*

*not forget that all of them are "going their own way" in different countries and different systems. This is the sum of questions that must still be comprehended more strictly and in more detail.*

In our view, perestroika is stimulating the progress of a world community in a unique way. We can and are making our contribution to the realization of the human dream of a peaceful life. We are participating in the formation of the concept of a development of production and consumption in which human activities would not be in conflict without nature and the laws of its existence. We are striving to make our contribution to the spiritual renewal of mankind and the overcoming of the cult of force, individualism and consumerism and to the process of elevating the individual as a person, including his moral responsibility for others, for the society and for peace.

#### IV

Perestroika is not developing simply or smoothly. The movement is proceeding through the resolution of contradictions arising not only in the past but also in the course of perestroika itself and through microcrises or, perhaps more accurately, frequent local crises, for they are not really "micro." They include the events in Nagornyy Karabakh and Sumgait and several union republics, the acute conflicts in the economic area in connection with state orders and taxes on cooperatives, and conflicts in the area of glasnost in connection with the name of B.N. Yeltsin and with the subscription to periodicals. Problems are already being examined whose resolution can evoke a sharp reaction. They include the reform of prices, a law on the press, a gigantic cutback of the administrative apparatus, and subsequently a reduction of the use of manpower at enterprises in connection with greater labor productivity. We believe that we will not have permanent and significant unemployment but it would be careless not to prepare for difficulties in this area just as in others and not to resolve them on the basis of a combination of science and democracy.

Here and in other countries, forecasts are being made and theoretically possible versions of further development are being examined. I would like to dwell on several of them.

*First version.* The development of perestroika as a reform in the scope of already existing notions on the values of socialism and traditional institutes and forms of social relations through their improvement. In the economy, this is the domination of state ownership but with the expanding participation of the masses in the management of production and the development of cost accounting, leasing and contracts. It is the strict regulation of commodity-money relations, although not as precisely through pronounced administrative methods, often economic or having such a form. It is the preservation of the priority of the centralized decisions of

different departments over the decisions of labor collectives, which still remains a reality. In the political area, it is the traditionally understood leading role of the party that controls all spheres of production and public life, although with an increase in the role of the soviets, trade unions and social organizations and a better representation of the interests of different strata of the society in the system of authority. It is glasnost, which has already become a reality but is constantly limited above all by strict control over the press, etc. A turning to such an "improvement" of the system and to a limited reforming instead of a revolutionary perestroika is likely if the inertia of rest and the forces of obstruction get the upper hand. Such a development would doubtless have its effect but it cannot meet the expectations with respect to significance or duration.

*Second version.* A movement along the path toward the realization of forms of economic and political relations characteristic of contemporary capitalism. Theoretically the logic of the development of commodity relationships, interaction with the capitalist economy and the transformation of socialist pluralism can lead to such a turn of events. But this notion fails above all to consider the fact that, as Marx also stressed, commodity-money relationships are characteristic of different means of production and are not specific to capitalistic relations (Marx and Engels, Vol 23, p 124); they can and must develop in a different logic than before.

It must be said that in conversations with communists, socialists and foreign colleagues from the democratic realm, we frequently encountered perplexity: why, they asked us, do you attach so much importance to the market, when we are searching for ways to influence and regulate it and to overcome the elements. But the fact is simply that they and we are looking at the problem from different conditions: they already have a market, whereas for us it is practically nonexistent. But discussions of this kind indicate precisely that it is absurd to go backwards, as it were, to capitalism and that even to pursue contemporary capitalism, by no means as spontaneous as described in our textbooks, means that one will quickly run into its current problems, which we hope to avoid on our path. Notions about this second version, primarily in the foreign literature, do not take into account the devotion of the broad masses to the values of socialism and apparently arise out of the false conviction that self-criticism in the period of perestroika led to an undermining of these values, whereas the matter is quite to the contrary: perestroika gave rise to hopes.

*Third version.* One can also examine a certain eclectic version, under which the economic structures of one system are supplemented, as it were, by elements of the other, in particular by allowing private ownership and hired labor in a certain scope. The version is in principle rather probable, if one takes into account the mutual influence of the two systems and the experience that already exists in other countries of socialism. The effectiveness here will depend upon the management of the

scale and proportions and the interaction of different elements. The diversity of forms of management can be a positive aspect but their mechanical combination and eclecticism in policy would produce problems of their own. If such a development in the economy becomes internal competition, as it were, of forms of production based on private and public ownership and of individual and collective enterprise under political authority of a democratic nature relying on broad social strata and representing the interests of all working people and if the socialist state will control economic development on the basis of laws without allowing either a monopoly of private or collective enterprises or of technocracy or bureaucracy, then this can become an interim model on the way to a high degree of development of socialism.

*Fourth version.* Movement on the basis of a concept for the renewal of socialism that develops through a combination of Marxist-Leninist notions of the future society and scientific analysis of the new realities. In the economy, it is that type of diversity of social and economic forms of development and that special multiplicity whose components are the products of contemporary development rather than merely the relics of past epochs that have adapted to advanced social structures. Above all, it is regeneration on a new basis taking into account the requirements of the scientific and technical revolution and the degree of socialization of production and Leninist notions about socialism as a system of civilized cooperatives working for themselves on the basis of the achievements of the latest technology and culture (Lenin, V.I., Vol 45, pp 364-377; Vol 35, p 196) operating under the conditions of developed commodity-money relationships. It is a matter of the broad development of cooperation on a new and higher level than before. Even now, cooperatives sometimes constitute large enterprises and plants producing not only consumer articles but also the means of production and complex tools and instruments that meet the current level of the scientific and technical revolution. It is already clear that large-scale transnational cooperative are conceivable. At the same time, state ownership will maintain its positions where this is economically and politically expedient, whereby it also experiences some changes in the direction of real socialization, that is, the maximum possible overcoming of the alienation of producers from production in different forms.

The essence of the development of a political system in this version is movement on the path of self-administration realizing the social pluralism of economic and political interests. The soviets may play a decisive role in such a system. The vanguard positions of the party are determined by its real actions, that is, they are gained in practice and are not affirmed with the help of the utilization of the state apparatus. All developing social movements are involved in the political process. The press is becoming more and more diverse in representing interests and a specific part of it is becoming an independent institute.

Such a version of perestroyka, although it has not been described fully, corresponds to the fundamental renewal of socialism and, as it appears, is the most successful. But it is also the most difficult. Opposing it is the inertia of thinking not only at the "top" but also "at the lower levels." Let us say that the development of a cooperative movement is also encountering opposition from the workers of large-scale enterprises, which was also observed in other countries. The fact is that the wages of metallurgists, miners and other workers still performing rather hard and at the same time skilled work are unfavorable in comparison with cooperative workers. The resolution of the problem is now gravitating toward restraining the income of cooperatives, whereas it would be significantly more realistic and efficient not to deprive the cooperatives of their relatively broad rights but to grant these same rights and opportunities to the workers of large-scale enterprises. This is a matter of a more systematic realization of commodity-money relationships, cost accounting and self-administration in production.

It is difficult to say at this time which path is being taken. This is taking place through the struggle under way in the society. And it is now difficult to describe in great detail the new model for social development and the qualitative state of the society discussed in party documents, although, as was already noted, many features of this model are appearing in the theoretical and practical search, not only in our country but also in other socialist countries. Socialism is a movement and not everything is predictable in it either. The socialist ideal is not static. It develops and is enriched and our demands on it are growing with each day of perestroyka. During the course of its interpretation, a contemporary teaching on socialism develops that inherits Marxist-Leninist traditions but is renewed and assimilates the entire experience of socialist development and the entire world experience of many generations as well as the innovative ideas put forward by the best minds of humanity in all countries. It is in this sense that "convergence" is also acceptable.

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**Soviet Approach To Islamic Neighbors Considered**  
*18070267 Moscow KOMSOMOLSKAYA PRAVDA in Russian 6 May 89 p 3*

[Article by V. Klyuchnikov and N. Petrov, candidates of historical sciences: "Islam Without A Yashmak"]

[Text] The concept "Islamic" or "Muslim world" was practically not encountered 10-15 years ago in our newspaper and journal articles. The purely geographical terms: Near and Middle East or "Persian Gulf region", were most frequently used to designate this area. The maximum that a reader knew about the dozens of interesting and diverse states located in these regions was that a great deal of oil was extracted in them, that it was hot year round, and that there were many deserts in which Muslims, who were tormented by unbearably intense heat, lived—people who believed in the god Allah and his prophet Mohammed.

Actually, newspapers and journals have written a lot and in detail about oil, petrodollars, military conflicts, attacks on tankers and freighters, the polluting of the Persian Gulf's waters, and the development of the deserts; however, this entire stream of information, unfortunately, has not at all touched upon the global problems of the Muslim world, has not permitted them to be correlated with our own, and—what is the main thing—has not provided readers an opportunity to understand fully what Islam is. The situation has changed during recent years; however, insufficient knowledge of the centuries-old history of this cultural and historic "seat" of world civilization (incidentally, they number no more than 10 all told), nevertheless, still chronically prevents a correct perception of the processes occurring in the Muslim world. We do not know—more accurately, we have forgotten—about the influence which the Muslim and Russian cultures have exerted on each other over the centuries. It is necessary to remember this—a significant part of our motherland, both in number of population (approximately 40 million people) and in territory, is related to the Muslim world.

As a "way of life," Islam has many rites and traditions which are not understandable at first glance and that is why they are not always acceptable to us. In criticizing them for a long time (or worse than that—deriding them!), we have thereby put ourselves in the position of an "all-knowing teacher." As a result of this "intercourse" system, we have lost or worsened our relations with those to whom we wanted to draw near.

Of course, one can immediately object that a way of life is not the color of one's skin and that, if it contradicts our concepts of morals and ethics, why should we not subject it to criticism? You see, however, another old Russian saying advises that one should not "butt into someone else's monastery with one's own statutes" [when in Rome, do as the Romans do]. Moreover, a "way of life" is a complicated concept that consists of many firmly interconnected and invisible threads of traditions, rules,

cultural values, and even vestiges of the past that are nevertheless solidly attached to today. (True, it is very difficult at times to understand what is a "tradition" and what is a "vestige"). That is why it is necessary to treat "vestiges-traditions" and, more so, religion carefully—like a jewel—since mistakes are immediately perceived by those being criticized as a very serious insult.

An so, what do we know about Islam? In our consciousness, the words "Islam" and "Islamic world" are primarily associated—to our great regret—with the years-long "senseless" war between Iran and Iraq, with the Muslim extremist fundamentalists in Afghanistan and Lebanon and also with the English writer of Indian descent S. Rushdie who "dared" to criticize and deride several of this religion's propositions in his book "The Satanic Verses." We still hear about the allegedly unfranchised position of the Muslim woman who is compelled to wear a yashmak, covering her face against the burning eyes of men, and live in a harem. This is the meager, but traditional, collection of our—if one may call it so—knowledge of Islam.

With such information, of course, any appearance of extremism in the Muslim world can easily be construed as an inherent characteristic of Islam in general and as an expression of its inner essence. However, this is not true—like the attempts, for example, to judge Marxism exclusively from the actions of the Trotskyites or organizations like the Italian "Red Brigades."

Islamic extremism exists. Moreover, it has strongly intensified recently. This, however, in no way means that extremism and Islam are one and the same thing. Islamic extremism in all its manifestations—fundamentalist parties and organizations, pan-Islamic movements, the Muslim Brotherhood Association, etc.—is only a part of Islam and far from its most significant part, although we most often hear about it.

During recent years, the activity of Muslim extremist political movements, parties and organizations, many of whom promote so-called fundamentalist positions, that is, they stand for "a return to the fundamental standards of Islam" or, simply speaking, for the establishment of the state and political system, which—in their opinion—existed in the time of the prophet Mohammed and the first four "righteous" caliphs, in the modern-day Islamic world, has indeed sharply intensified during recent years for many reasons. In order to bring about this return, they think that all authority in the countries of the Muslim world should be transferred to the most authoritative religious figures (mudzhakhids) who will establish a truly just social and political formation thanks to their deep knowledge of Islam. Thus, in the opinion of several fundamentalist leaders, the main thing now is to take power (by any means) and transfer it to the appropriate religious figures.

In accordance with this religious and political doctrine, the most radical wing of the present Iranian political leadership, whose activity has kept the war between Iran and Iraq in a "heated state" for many years, is following a policy of "exporting the Islamic revolution." A number of extremist fundamentalist organizations, who operate on the territory of Lebanon, Kuwait, Bahrain, and other states in the Near and Middle East, are also following this policy. Several so-called "implacable" fighters "for Afghanistan's freedom" are also taking refuge in fundamentalist slogans.

It would be a mistake to identify Islamic extremism with all Islam in general or even with its Shiite trend. Despite the fact that today a large, perhaps, part of the Shiites, who live in Iraq, Iran, Pakistan, Syria, Lebanon, and many other Arab countries, would answer the question about whom they think their spiritual leader is by saying the Ayatollah Khomeini—Khomeinism and Shiism are phenomena of a different order. Khomeinism is only a part of Shiism—a significant and influential part but one which can hardly be regarded as its quintessence. You see, it is no accident that the Iraqi Shiites (who form almost two-thirds of Iraq's population) did not support their co-religionists—the Iranian Shiites—during the bloody Iraq-Iran war.

That is why it is important to approach its various trends in a differentiated manner when developing our attitude toward modern Islam, without succumbing to the first impulse or reaction against this or that event which we do not like for some reason.

How should we regard Islam? There can only be one answer—with respect, since it is not only the religion but also the way of life of our neighbor and—moreover—of our close kinsfolk. You see, the Muslims settled a significant portion of our enormous territory. For Muslims, Islam is not simply a symbol of their national uniqueness; it is also a considerable portion of their national culture—and culture (by definition) cannot be bad or good; it can be high or low (relatively). Its level is determined not only and not so much by achievements in the area of scientific and technical progress as by its achievements in the arts, the depths of its roots and the height of its historical tree. Here, the Muslim world has achieved a great deal. Its contribution to the world's culture has been very significant. The names of very great thinkers, who were reared within the framework of this system, such as Ibn-Sina Avicenna, Ulugbek, Biruki, Nizami, Omar Khayyam, Rudaki, Navoy, Al-Afgain, and many others, shine in the sky of world culture like stars of the first magnitude. The lives of the majority of the mentioned thinkers, poets and scientists are connected by unbreakable bonds to the cultural and historical development of the Soviet Central Asian republics. It is also the foundation of general Muslim political history and culture.

One can say with confidence that on the road to scientific, technical and social development, the Islamic world has traveled a path during the last several decades

for which Europe required centuries. Of course, social development occurs to a great extent in this world in its own way and not as it has for us in Europe. However, can this fact really serve as a justification for premature conclusions that it is bad? Many people, who have visited Muslim countries or lived in them, almost unanimously point out that such a phenomenon as social tension at the family level is practically absent in them. The primary reason for this is the fact that the family is a more natural and more innate formation *there* than, for example, in our country. Each family member clearly knows his functions and observes his responsibilities. Islamic traditions help him in this.

Yes, it is possible to meet a woman in a yashmak in many countries of the Muslim world—and polygamy is not such a rarity. However, the incompetent and superficial discussions on this matter, which—unfortunately—are still not a rarity on the pages of some of our popular publications, can indeed be compared, for example, with a tourist coming to our country from a state where all women walk about only in slacks and, having returned to his homeland, begins to substantiate the unfranchised status of our women by the fact that they wear skirts and dresses.

In studying the history of Islam and Islamic culture, we are seemingly studying ourselves, our own culture and its historical roots at the same time and, thereby, solving a very important political task—we are establishing mutual understanding with the peoples in the countries of the Muslim world and understanding the science of civilized intercourse with them.

Most likely, there is no special need to show that the mutual impact between Russian national and Soviet culture and the culture of the Muslim world is very great. For this purpose, it is sufficient to recall the Shamakhan queen in Pushkin's "Skazki o zolotom petushke" [Tales of the Gold Cockerel] and reread Sergey Yesenin's "Persidskiye motivy" [Persian Motifs], Solov'yev's "Khodzhu Nasreddina", or many other artistic and musical works.

The story of Russia's policy in the countries of the Near and Middle East is also awaiting its own serious investigator since the considerable contribution, which Russia made to the formation process of states in this region, has still not been studied. With great regret, it is necessary to state that the Persian Gulf countries perhaps know more than us about the peaceful visits of the Russian naval vessels—the *Gilyak*, *Varyag*, *Askold*, and *Kornilov*—to the Persian Gulf at the beginning of the 20th century, which had important political significance, and the traditional trade ties between our peoples, which have existed for several centuries.

There is another feature to this problem. Most likely, many Muscovites and inhabitants of other cities in

central Russia do not even suspect that grains of eastern and Muslim architecture have been scattered around them in a large amount. In Moscow alone, it is possible to find almost as many of them as in many ultramodern cities in the countries of the Muslim world if one looks carefully.

The thought automatically arises that a mutual cultural exchange, which does not impose any economic and political duties, is the shortest road to mutual understanding and mutual respect, the best political policy and a solid foundation for developing all types of relations between peoples.

### Moscow's External Trade Reviewed

18001079 Moscow MOSKOVSKAYA PRAVDA in  
Russian 30 Apr 89 p 3

[Interview with Ye. Voldemarova, deputy chief of the Social and Economic Department of the CPSU Moscow City Committee, by TASS Moscow correspondent: "How to Develop the Capital's External Economic Ties—Needed: A Well-Developed Concept"]

[Text] Among the most vital tasks of economic reform set by the 27th CPSU Conference and the 19th All-Union Party Conference is a radical restructuring of the system of external economic relations. In response to questions raised by a MosTASS correspondent regarding how this task is being dealt with in the capital, the following remarks were made by Ye. Voldemarova, deputy chief of the Social and Economic Department of the CPSU's Moscow City Committee.

[Correspondent] Yelena Vladimirova, how are the capital's external economic ties developing now?

[Ye. Voldemarova] Very vigorously. It is sufficient to say that of all 392 joint enterprises registered at present on the territory of the USSR, half of them are located in Moscow. Among them are 180 plants and factories in the capital city and more than 20 cooperatives. More than 200 Moscow enterprises deliver their products for export. About 500 industrial, research, design, construction, and other enterprises and organizations, as well as VUZ's in the city, have direct ties with partners in the socialist countries. The trading organizations of Moscow are continuing to extend reciprocal exchange with trading partners in the fraternal countries.

Such a rapid development of external economic ties on the part of Moscow is, of course, brought about by its status as the capital and also as a major scientific and industrial center of the country. Here are situated all the central administrative bodies for managing the national economy, the ministries and departments for the industrial sectors, and a majority of the foreign trade associations as well as institutions of banking, credit and finance, and transport, serving, in effect, the entire foreign economic complex of the USSR. In the city are located the foreign trade representatives as well as most of the representatives of foreign firms and economic organizations abroad. Moscow is host to 70 percent of all foreign tourists in the Soviet Union and 90 percent of all incoming businessmen.

Having at its disposal considerable scientific resources and highly qualified skilled workers, Moscow outranks all other regions of the country as a supplier for the foreign market of scientific ideas, inventions, "know-how," and joint research projects.

[Correspondent] Can the development of these ties be considered on the whole successful?

[Ye. Voldemarova] There are no grounds for satisfaction. While in the process of working out the pertinent section of a comprehensive industrial program for the territorial program Progress-95, we came up against the fact that the powerful industrial, scientific, and technical potential of Moscow is for the present being inadequately exploited. The city lacks a unified conceptual scheme for foreign economic activity. Facilities for informing enterprises of existing opportunities for cooperation are inadequate, and virtually no use is made of the proximity of the central departments.

In recent years exhibitions of the union republics and separate enterprises, revealing their export capabilities for foreign partners, have been held at the International Trade Center and other exhibit halls of the USSR Chamber of Commerce. But not once has Moscow been featured. Moreover, the capital enterprises have played a less prominent part in such exhibitions than those representing the other regions.

The absence of a deliberately devised program to develop joint enterprises and a system of priorities brings us to a point where mixed firms are created without regard for the tasks of industrial reconstruction in the capital or the capabilities of the city's industrial and social infrastructure. Already the city is experiencing an acute shortage of housing and lodging accommodations for foreign co-workers.

A number of matters pertaining to providing joint enterprises with city resources have not yet been worked out, including living and production space, water, power, sewage disposal plants, and manpower. The fact that these problems have not been resolved can lead to the establishment of joint enterprises in the capital which will not be capable of carrying out crucial tasks of the national economy or of improving the lot of Moscow residents. Moreover, there are inadequate accommodations as well as work and other resources for the firms that are really needed in the city.

Qualitative changes for the better in structuring the imports and exports of the Moscow enterprises are taking place slowly. Many of these enterprises are trying, as they did previously, to deal with problems not by spending their own foreign exchange profits but for the most part by using centralized assets. The amount of undisclosed imported equipment is increasing, and it amounts to more than half a billion rubles right now in Moscow organizations.

The entry into production of scientific applications achieved within the framework of direct relations with partners in the socialist countries is obviously inadequate. Meanwhile, basically, the foreign economic activities of the cooperatives are occurring spontaneously, and in effect nobody is monitoring or trying to analyze them.

[Correspondent] But who is supposed to do this?

[Ye. Voldemarova] The soviets of people's deputies, whose authority to exert leadership in economic and social matters within their jurisdictions has today been considerably expanded. Developing foreign economic ties becomes particularly pressing precisely because of preparations in Moscow to convert to principles of self-financing and self-government.

Already local soviets have the right to receive 5 percent of foreign exchange earnings of all enterprises and organizations situated within their jurisdictions. This year the capital can obtain through this means, it is estimated by experts, about 42 million rubles, a portion of which will be turned over to the rayons.

Unfortunately, certain managers continue to regard foreign economic activity as something "exotic." They underestimate the potential value of attracting foreign investments on a mutually advantageous basis and using foreign exchange earnings to resolve the city's social problems. True, gratifying changes have already come about. In Pervomayskiy Rayon, for example, a proposal is under consideration to solve a number of important social problems in cooperation with a joint Soviet and West German enterprise situated on its territory. The executive committee of Kalininskiy Rayon has opened its own foreign exchange account, which can be used to improve the rayon economy and to equip institutions for children and clubs.

However, we are obviously still far from developing an integrated system. This is attested to, for example, by the fact that different leaders in the Moscow City executive committee are responsible for the various spheres of foreign economic activity. The control over implementation of decisions reached by the executive committee with respect to these matters is poor.

Many of the difficulties stem from a lack of knowledge on the part of the cadres of the existing state of affairs in this area, together with a lack of initiative, skill, and understanding of how to organize matters. There are instances when owing to poor professional preparation of the founding documents, a shortage of experienced workers, or undue haste in making decisions with regard to the establishment of joint enterprises, a number of them found themselves in a crisis situation.

The seminar "Moscow in the System of Foreign Economic Trade," sponsored by the CPSU Moscow City Committee, is now in its second year. Discussions are led by top specialists; experienced consultants give the enterprises specific assistance. Often, however, people sent to the seminar are far removed from the field of foreign economic affairs. Obviously, they are just there on a junket. Clearly, not all managers realize foreign trade ties are an integral and inseparable part of the economy. Meanwhile, the party committees have not yet found a way to exert an influence on this important process.

[Correspondent] What is to be done to overcome these shortcomings?

[Ye. Voldemarova] The way out of them, as we see it, lies in creating a comprehensive and soundly structured system for the development of foreign trade, based on principles of territorial self-government and self-financing. The system should provide for closer coordination, economic regulation, and assistance in developing all kinds of foreign trade activities for the good of the city and the entire national economy, while increasing its efficiency.

A definite amount of work has already been done to devise the administrative system for the sector within the new general plan for managing the city's economy. A commission on foreign economic cooperation under the Moscow city executive committee has begun to operate, together with the foreign economic cost-accounting association Mosinter and the commercial bureau Mosinraschet. Corresponding departments have been set up in the subdivisions of the executive committee.

Probably, the time has come to think about creating, on the basis of the existing subdivisions, a single administrative body under the Moscow city executive committee for coordination, regulation, and assistance in developing foreign trade. Its main task, in our view, would be to coordinate all foreign economic ties with the interests of the city on the basis of a thorough analysis of foreign economic strategy and established priorities.

For the purpose of keeping Moscow enterprises better informed and selecting foreign economic partners, it seems expedient to set up a division of the USSR Chamber of Commerce and Industry in Moscow, analogous to the ones in Leningrad and the Union republics.

The Moscow Scientific Production Association's automation system could be of considerable assistance in devising and setting up corresponding territorial programs with access to banks of the proposed Moscow Foreign Economic System, the Ministry of Finance, the Foreign Exchange Bank, the USSR Chamber of Commerce and Industry, and statistical bodies.

A majority of industrial leaders in Moscow as well as our partners in the capital cities of socialist countries abroad also express their approval of forming coordinated councils for promoting cooperation between the fraternal countries.

Unfortunately, we are still only groping our way in the direction of overcoming decades of isolation from the processes of the world economy. Each step at this point is difficult, yet it promises advantages for our city and each one of its inhabitants. International cooperation that is founded on the new ways of thinking means, of course, a saving in time and resources and advancement in technology. It also means extending the volume of goods and services; whereas a shortage of goods and

services means retarding the progress of perestroika, while exerting an unfortunate effect on the morale of Moscow residents. In sum, Moscow is learning the art of cooperative commerce, and the sooner we master it the better.

### **Georgian Enterprise Heads Justify Joint Ventures** 18130059

[Editorial Report] Tbilisi KOMUNISTI in Georgian on 8 February 1989 carries on pages 1-2 a 3000-word item under the heading "Are the Republic's Interests Really Being Trampled On?" in which KOMUNISTI correspondents ask the directors of three industrial enterprises to comment on widespread rumors that their enterprises are being sold (or leased) to outside, non-Georgian individuals and co-ops. According to those "preaching" these rumors, it means bringing foreign capital in to take out profits, "a typical form of imperialist and colonial exploitation." Each enterprise director in turn explains the kind of deal his outfit has made and with whom, extols the benefits it will bring, and categorically denies the allegation that it will hurt Georgia.

Guram Kashakashvili, general director of Rustavi Metallurgy Plant (RMZ), explains by way of background that although the enterprise had become more profitable in the past couple of years, it was still doing very little to produce consumer goods and was not able to contribute to the Georgian budget. An opportunity to better RMZ's position on these counts appeared last fall, when Revaz Aronishvili, a Georgian Jew representing the French firm of (?Macy), visited Georgia and proposed a joint venture in which RMZ would be provided with Macy's equipment and raw materials—processed leather—and manufacture high-quality, high-prestige leather goods for domestic and world markets. The deal was discussed jointly with RMZ's labor collective council and approved, the joint venture is to be called Marten. Plans call for turning out around 2 million rubles' worth yearly and realizing 5 million rubles in profit, of which RMZ is to retain 55 percent. Work is already underway on remodeling a building to receive the French equipment and accommodate the production lines; the value of the building will be counted as RMZ's "valuta" contribution. In addition, RMZ will supply one of its "profile" products—steel rods—to Macy to be traded in world markets, the proceeds to be invested in more new equipment and materials. In response to the correspondent's specific query as to whether outside cadres will be needed, Kashakashvili states that 160 specialists will be necessary to help RMZ set up the facility and master the techniques; 15 to 20 percent of them will be from France. Marten's board consists of three members from each side, and Iuri Margalitadze has been elected general director. RMZ's share of anticipated profits will go to improve working conditions, provide incentives and insurance, invest in economic reproduction, and—not least—produce good consumer products that are in demand in Georgia. RMZ, the city of Rustavi, and the

whole republic will benefit, and the enterprise will contribute to the budget. In addition, the firm wants to open an orphan facility on the Black Sea and make arrangements with Tbilisi State University to accept Jewish youngsters from Israel and Europe, teach Georgian to them, and the like.

Vakhtang Zavrashvili, director of Rustavi's Iron and Steel Works, explains that his plant was declared bankrupt some time ago (it was announced in the Central press), owed everybody money, and was struggling to find a way out. But it has not been "sold," as rumors lately have it. Rather, it has been transferred from the Ministry of Machine Tools and Instrument Making to the Ministry of Automotive and Agricultural Machine Building. After much searching last year, it was able to make a deal with the Togliatti Production Association that will enable it to change its unprofitable and burdensome profile (it used to ship 90-95 percent of its products outside and only got to keep "scraps and losses"). Under the Togliatti deal, the enterprise will manufacture spare parts for the Zhiguli, make profits, get out of debt, boost its budget contributions, raise wages, and win many of its departed cadres back. Moreover, a certain percentage of Zhiguli parts will stay in Georgia to overcome this particular chronic shortage. VAZ has already helped with financing and improved relations with suppliers. In response to the correspondent's pointed question about "outside manpower," Zavrashvili states that only local personnel, trained in local vocational-technical schools, will be hired.

The Poti Amplidyne Plant (PAP) was among numerous bankrupt or near-bankrupt enterprises discussed at last September's GCP Central Committee Plenum. PAP's innumerable woes are sketched briefly by way of background to KOMUNISTI's interview with its director, Vladimir Khokhobaia. After its parent ministry, the USSR Ministry of Electrical Equipment Industry, had abolished PAP, it sought affiliation with a co-op called the Moscow Low-Voltage Equipment Plant, which has provided financing and otherwise helped PAP get on its feet. The enterprise is still producing essentially the same products but is now able to meet its delivery obligations, has managed to raise wages, and is taking care of social needs. PAP has got out from under the old "administrative-command mechanism" and acquired more independence, which has resulted in benefits both for the plant and for "the territory." To the question about bringing in outside manpower Khokhobaia answers that it is absolutely unnecessary: "Our own cadres are well qualified." Hence, "our action will not result in any negative demographic processes in this region of the Black Sea coast."

### **Avtoeksport Official on Rationale for Car Exports** 18250154 Moscow ARGUMENTY I FAKTY in Russian No 18, 6-12 May 89 p 4

[Interview with I. Aksenov, first deputy general director of V/O "Avtoeksport" conducted by ARGUMENTY I FAKTY correspondent K. Konstantinov: "Do We Need This Export?"]

[Text] In 1988 the USSR exported 296,000 "VAZ" automobiles, including 148,000 to the Western countries. Do we need this export? Our correspondent, K. KONSTANTINOV, talks with V/O "Avtoeksport" First Dep-

uty General Director I. AKSENOV.

[Correspondent] Evidently, the very combination of the two words "auto" and "export" today evokes a rush of patriotism in most people: "We can sell more than just oil", they say. Yet the irritating factor is that passenger automobiles are going abroad when it is difficult even to apply the term "shortage" to the situation with them at home. It is simply an absence of them on the domestic market. The problem of auto export was recently raised also in the article entitled "The Automobile—For the People" in LITERATURNAYA GAZETA. What do the exporters think about this?

[Aksenov] As a person engaged in the export of auto technology, I will try to answer your question, as well as the questions raised in LITERATURNAYA GAZETA, as far as I am able to do so.

Is the growing shortage of automobiles a result of their export? In 1988 their availability on the domestic market declined by 4 percent, yet the sale of automobiles abroad has not increased in the past 2 years. While in 1987 we sold 294,000 "VAZ" automobiles, including 151,000 for freely convertible currency, in 1988 these figures were 296,000 and 148,000 respectively. Evidently, the reason is hidden in the lagging behind of our capacities in passenger car construction. Only 1.3 million automobiles are manufactured for the entire huge country. This year the export of the "Lada" will be somewhat reduced, and not, I might add, because there is no demand for it.

[Correspondent] That means that you nevertheless will agree that the reduction of export may ease the problem of the shortage?

[Aksenov] Can it? According to the computations by the author of the article in LITERATURNAYA GAZETA, the shortage for passenger automobiles comprises a figure on the order of 15 million cars.

As for the sale of automobiles to CEMA member states, we cannot forget that we have long-term cooperation agreements with most of them, according to which our plants receive a broad nomenclature of complement products. Without them our automobiles would simply not come off the assembly lines today.

And since we will not be able to ease the situation of our motorists to even a slight degree due not only to the reduction, but even the complete rejection of exports, before taking such a step we must clearly define also the impact of its negative effect.

Today we speak much and justifiably about the necessity of selling irreplaceable natural resources abroad—oil, gas, etc., about the necessity of increasing the relative share of machines and equipment in our export. Isn't the sale of automobiles one of the means of solving this problem?

Finally, while before the thesis of the effect of automobile exports on the development of our automobile manufacturing sounded rather abstract—after all, the currency went into the general coffers—today the situation is changing. That very same "VAZ" accounts for 40 percent of the currency obtained from the sale of automobiles abroad.

And finally, it is impossible to maintain our production level when the automobile operates in a "closed space" and is not exploited on the same market with the products of its competitors.

[Correspondent] Well, and what real benefit is there in this?

[Aksenov] The owners, for example, of the "eighth" model of the first and last editions know that much has been changed for the better, and the reliability has increased. This is primarily the result of export. After all, with our monopoly and absence of competition on the domestic market, the plant knows that its product, as they say, will be "snapped up" despite all its defects and design flaws. And it is specifically that exactingness with which the buyers in the West have approached their products that has forced our manufacturers to constantly strive to improve their cars.

[Correspondent] There is one question, probably the most acute, which is presented in practically all the publications on the topic of our export. That is the prices on Soviet automobiles. The epithets applied to them range from "worthless" to "insulting".

[Aksenov] Evidently, everything stems from the fact that they are comparing the retail price of an automobile in the USSR with the export price. And, of course, in comparison with the domestic price of 8,000-10,000 rubles, the price of the "Lada", for example, in the FRG at 4,064 currency rubles seems "worthless". For some reason, no one is surprised that by the same recomputation the automobiles of prestigious Western makes in the very same FRG cost 5,000-6,000 rubles. That is the level of prices which has been formulated there. There the automobile is not a luxury item. Thus, we must speak not of "worthless" export prices, but of very high retail prices in our country.

Of course, the very same "Samara" sells for 10-12 percent less than its competitors, but there is nothing insulting about this. It is understandable. After all, by its consumer properties—design, quality, number of modifications, additional equipment—our products do not keep up with the competition. Yet this does not mean that they should not be sold. The main thing is that these prices bring in currency profits for our country. The money obtained from the sale of one automobile is used to buy goods whose production in our country would in most cases have been much more expensive than the manufacture of this same automobile.

And as for information on the fact that Soviet automobiles cost only half as much as the automobiles of our competitors—for example in Finland, I can assure you that this is not so.

The prices indicated by the author of the article which appeared in LITERATURNAYA GAZETA are the official price-list prices. In practice, the very same Japanese sellers give great commercial discounts. And it is certainly not out of altruism, but because it is only by reducing prices to almost the price level of our automobiles that they can successfully sell their own. It is another matter that because of their financial might they can allow themselves to do this, while we cannot.

[Correspondent] But is it proper for our country to enter the Western market with outdated automobiles?

[Aksenov] What do we mean by "proper"? Of course, the design of the "Lada" was developed 20 years ago, and even the "VAZ-2108" is 5-6 years behind the times. Yet we must precisely determine what is more important for us—prestige or commercial success? After all, there is a buyer on the market for any product. As long as our automobiles find their clients, and successfully, I might add, that means they have their advantages.

For example, the "Volkswagen Bug" was built almost 40 years ago. Yet the sale of the outdated model caused no sense of embarrassment for the Germans.

[Correspondent] Tell me, don't the "ruinous" modifications to which our automobiles are subjected abroad reduce the commercial results of your work?

[Aksenov] What do we mean by modifications? Replacement of the body, the engine, or equipment of the interior? We do not do this.

There is pre-sale prepping, where the defects incurred during transport are corrected. This in fact is a technical inspection of the automobile to verify its readiness, and such an inspection is performed by all the companies. The scope of this inspection for us, of course, is somewhat greater, but there is nothing ruinous about this procedure.

In a small portion of the cars our dealer companies make slight modifications in the external appearance: they apply molding, install headlight cowlings, paint the bumpers, etc. This is done only to expand the range of the models offered and to give the automobile an individual appearance.

[Correspondent] Thus, the export of automobiles is necessary. But until the shortage on them is reduced in our country, perhaps we should re-evaluate our negative attitude toward imports? Recently in the Western press there were reports about the signing of a contract with

the American "Ford" company regarding the delivery of 290,000 "Ford-Scorpio" automobiles to the USSR. Are these reports fabrications or reality?

[Aksenov] Such negotiations with Ford really did take place. The topic centered around the joint production of an automobile based on the "Ford-Scorpio" model at the Gorky Auto Plant, and the import of around 100,000 of these cars within the framework of the Soviet-American consortium. Yet quite recently, right before the signing of the general agreement on the consortium, Ford backed out

Now about imports. Imports in pure form are an expensive and unpromising matter, especially for such a country as ours. China, the GDR, and other countries tried at one time to secure themselves only by means of import, but became convinced that this is difficult.

On the other hand, we will not soon resolve the problems at the current level of domestic machine building. This has led to the idea of joint production of automobiles.

We are currently conducting negotiations with manufacturers in various regions of the world. I cannot now specifically name the company or model, since there is still no final agreement, and the negotiations, naturally, are confidential in character. But I can say that joint production of an automobile in our country based on one of the makes of a Western firm is a real prospect. If we reach such an agreement, then at the first stage, prior to assimilation of production, the import of some kind of shipment of automobiles of this make for breaking in and organizing a service network will become a possibility.

#### **Risks in Foreign Commerce Addressed** 18250156 Moscow SOTSIALISTICHESKAYA INDUSTRIYA in Russian 7 May 89 p 3

[Unattributed article under the heading "School of Commentary": "Take Risks with Circumspection"]

[Text] *I dare say that the leadership of many ventures that entered the stormy waters of international business on 1 April are mentally estimating possible currency dividends. Alas, all is not so simple. The foreign market is not our trade network with its diktat of producers. In order to find the key to it, it is not even enough to possess a competitive commodity. It is important to know all the legal fine points of commercial operation. For example, before entering the international market, we should think at least about risks that can greatly affect the liquidity, profitability and solvency of a venture and about ways to protect against them.*

So, commercial and political risks differ. The former includes market, price, and credit risks, risks of improper fulfillment of contract obligations by a partner, transportation risks, and risks of location.

Market risk can emerge due to disruptions in delivery of a commodity (spare parts), poor assortment and quality, or incorrect selection of a market or buyer. Bad timing in delivery of a commodity for sale may become one of the reasons.

A thorough analysis of the conditions in the appropriate country is needed to prevent market risk or minimize its consequences. Direct contacts with foreign partners can yield the needed information.

Price risk is associated with the danger of price changes. A graphic illustration of this is a sharp drop in the cost of oil. How can one guard against this or at least limit the adverse results? There are various ways: creating cartels; insuring the price by making prompt transactions on the commodity exchanges. It is also possible to make contract prices dependent on specific indices or on the level of inflation, or conclude long-term contracts with a fixed price.

By credit risk we mean the unwillingness or inability of a partner to pay, as well as delays in payments on commercial credits granted an importer. The world practice has adopted quite an extensive arsenal of means to prevent it. For example, you can include in a contract an article on advance payments of up to 20 percent of its value, obtain security for commercial credit granted (bill of exchange, guarantee), or choose those methods of payments which would secure the interests of the exporter (letter of credit, advance payment). Finally, specialized institutions can minimize credit risk. The sale of claims (factoring, forfeiting) pursue the same goal.

Let us assume that you have had bad luck with a partner who does not observe the delivery dates of a commodity, deviates from its quantity and quality, in short, does not fulfill the obligations under the contract.

In this case, losses can be reduced or eliminated entirely by: a) timely receipt of information about the partner (including from the banks with which he deals); b) including in the contract an item on the partner granting a bank guarantee of proper execution of the contract or on opening a letter of credit that includes precise requirements on delivery dates and commodity quantity and quality.

Currency risk involves possible changes in the exchange rate between the currency designated in the contract and the ruble. For the importer, it means spending a larger sum of rubles to pay for the commodities than when the contract was signed. For the exporter, it means receiving fewer rubles (the equivalent of export earnings) than as of the date the contract was signed.

Ways to insure against this risk include: making out the invoice in rubles; forfeiting bills in foreign currency; prompt currency operations (they are carried out by the Bank for Foreign Economic Activity for Soviet exporters to insure the ruble exchange rate).

By transportation risk we mean the damage or loss of goods during shipment as a result of an unfortunate incident, war, or other events. Insurance is the usual way to eliminate transportation risk.

Finally, there are political risks, which can be avoided or reduced through careful analysis of the political and economic situation in those countries to which you are planning to export your product. Effective results are obtained by diversifying exports over various states and also by receiving guarantees and confirmations for letters of credit from banks of third countries.

In all cases, it is good to diversify risks, remembering the golden rule of bankers: "Don't put all your eggs in one basket." More detailed information on this topic can be obtained at the "Sozidaniye" Center.

#### **Moscow Conference in International Currency, Finance**

*18250117 Moscow DENG I KREDIT in Russian No 2, Feb 89 pp 66-73*

[Article by Prof L. N. Krasavina, RSFSR honored scientist, and Ye. P. Baranova, candidate of economic sciences: "New Phenomena in International Currency and Credit Relations"]

[Text] The revolutionary perestroika in the USSR and the increased significance of the international aspects of the country's accelerated social and economic development require new approaches to the investigation of international currency and credit relations both in the socialist society and in the world economy as a whole. The regular conference at the Moscow Institute of Finance on the comprehensive subject "Urgent Problems in International Currency and Credit and Financial Relations" was devoted to these problems. About 200 people—instructors, practical workers, and scientific associates at higher educational institutions, universities, institutes of the Academy of Sciences, the Council for Economic Mutual Assistance, the IBEC [International Bank for Economic Cooperation], the IIB [International Investment Bank], the USSR Foreign Economic Bank, the USSR Industrial Construction Bank, the USSR Ministry of Finance, and the Finansy i Statistika Publishing House took part in its work. The conference of graduate students from 35 higher educational institutions in the country was an integral part. A total of 42 reports and speeches, as well as 26 speeches by graduate students, were heard at the conference. The conference style was new: brief speeches, answers to questions, and a discussion.

Scientific and practical problems were in the center of attention:

currency and credit problems concerning the concept of the 13th Five-Year Plan and the subsequent development of the USSR and of all member countries of the Council for Economic Mutual Assistance;

ways of and stages in restructuring the currency and financial mechanism of socialist economic integration;

conditions for introducing the convertibility of the Soviet ruble and the collective currency of CEMA countries (the transferable ruble);

ways of using national currencies of socialist countries as international payment and reserve funds.

The participants in the conference paid much attention to the generalization of foreign experience, taking into account the development of capitalism and socialism according to their laws in the mutually dependent and largely contradictory world.

#### **Problems of Improving International Currency and Credit Relations Between the USSR and Other Socialist Countries**

One of the new approaches to the investigation of these problems is a scientific substantiation of the essence and ways of restructuring the international currency and financial mechanism of CEMA countries for the purpose of developing advanced, new forms of cooperation, in the forefront of which the enterprise is put now. This mechanism should be restructured so that it could be more closely linked with the national economies of CEMA members and ensure their active participation in the process of the world division of labor. In this connection the following question is raised: giving up the single-currency basis for the international currency system of CEMA countries, introducing mutual convertibility of national currencies of CEMA countries and the transferable ruble, as well as their convertibility into freely convertible currencies, and converting the transferable ruble into a collective reserve currency secured by the countries' collective currency fund. A gradual transformation of the economy of scarcity to the economy of abundance, bearing in mind that this creates the conditions for the development of noncontingent trade, is the initial goal in the restructuring of the currency and financial mechanism. Then the transferable ruble will be able to service not only planned, but also above-plan, commodity deliveries. A partial mutual convertibility of national currencies of CEMA countries on the basis of intergovernmental agreements has been gradually introduced since 1988. It is limited to individual spheres of mutual cooperation, primarily to direct ties within the CEMA framework and, in essence, resembles the long existing convertibility in the sphere of nontrade turnover. The task lies in subsequently changing over to a more detailed form of currency convertibility and in a broader range of operations. The possibility for such a transition is connected with the gradual establishment of a united market of CEMA countries, which presupposes a freer movement of goods, provision of services, and other relations among countries through direct agreements between the producer and the consumer. Evaluating the possibilities of the currency and financial mechanism of CEMA countries, it is no less important to

take into account the course and results of the reform in the economic mechanism, primarily in the USSR, on which the intensity of restructuring the international currency and financial mechanism of CEMA countries and its effectiveness will largely depend (Prof Yu. A. Konstantinov, RSFSR honored scientist, executive of the CEMA Secretariat).

A revision of the methodology of calculating the rate and parity of the transferable ruble through its reorientation from the world capitalist to the world socialist market is an important direction in restructuring the currency and financial mechanism of CEMA members. For this purpose, as A. S. Fillipenko, professor at Kiev State University, believes, the economic content of the transferable ruble is calculated not on the basis of leading currencies of capitalist countries, but on the basis of the "basket" of currencies of CEMA members. The introduction of mutual convertibility of national currencies in countries of the socialist community and their convertibility with respect to the transferable ruble requires the introduction of uniform currency rates in trade and in settlements among socialist states. The following basic variants in calculating the structural base of national currency rates are possible: according to the structure of production, consumption, and foreign trade, or only export.

The use in the international turnover of national currencies of CEMA countries under conditions of their convertibility among themselves and into transferable rubles is one of the ways of changing over to the new economic mechanism of cooperation and creation of their united market. At present the first steps have been taken in this direction: Interbank agreements between the USSR and the People's Republic of Bulgaria, the Mongolian People's Republic, and the Czechoslovak Socialist Republic on a bilateral basis have been concluded. Settlements in national currencies will be used within the framework of direct production and scientific and technical ties, as well as in the activity of joint enterprises and international organizations. During the coordination of conditions for settlements in national currencies the determination of methods of establishing currency rates and the link with the system of settlements in transferable rubles is the most complex problem. In the opinion of G. I. Mamotova (junior scientific associate at the All-Union Scientific Research Institute of Foreign Economic Relations under the GVK of the USSR Council of Ministers), it is advisable to examine the possibility of using various forms of a currency exchange at rates reflecting the ratio of supply and demand, which will create the prerequisites for the functioning of the monetary market of CEMA countries. On the basis of formation of mutual rate correlations among national currencies coordinated national currency rates with respect to the transferable ruble can be established. As settlements in mutually convertible national currencies and transferable rubles expand, the functions and role of the collective currency will develop.

Intensification of the role of the foreign economic complex in the development of the Soviet economy sets the task of improving the monetary functions of the Soviet currency and introducing the convertibility of the ruble in a form corresponding to the level of production, the foreign economic complex, and the currency and financial status in the country. This problem is closely connected with the task of using the Soviet currency in international economic relations (docent V. S. Kuznetsov, the Moscow State Institute of International Relations).

In accordance with the recommendations of the 43d (extraordinary) meeting of the CEMA session new tasks face the IBEC and the IIB.

The IBEC, along with other banks, is called upon to provide temporary credit services for direct production ties and other new forms of cooperation, first of all, with the application of the transferable ruble and national currencies of member countries. Current and deposit accounts in transferable rubles and a convertible currency (in 1987 more than 300 million transferable rubles) have been opened for international economic organizations and joint enterprises. At the same time, to this day operations concerning these accounts have not been developed properly. With interest on the part of participants in cooperation the range of IBEC operations could expand significantly in the very near future provided they were adopted by the bank council. According to an agreement with CEMA members' banks, the IBEC could open at them its own accounts in national currencies and coordinate the amounts of credit and conversion lines opened in its name. These lines would be used on the basis of the actual needs of international economic organizations and joint enterprises—IBEC clients—for national currencies for the purpose of international settlements. The IBEC could open for CEMA members' banks accounts in national currencies for entering the proceeds from the sale of goods and services, for the granting and liquidation by banks to each other of credits in national currencies, and for the purchase of national currencies for transferable rubles for the purpose of settlements on the basis of direct ties. In some cases the IBEC would have the opportunity to grant international economic organizations and joint enterprises a short-term payment credit in transferable rubles for a period of up to 60 days, which would be renewable within the limit, as well as to issue checks in transferable rubles and other currencies, and to perform operations with them. The IBEC's temporary financial share participation in the formation of statutory capitals and funds of international economic organizations and joint enterprises in the form of granting credits could be a new direction in the bank's activity. For the purpose of regular settlements and payments in convertible currencies these organizations have the opportunity to open appropriate accounts in the IBEC. On behalf of the clients the IBEC can carry out conversion operations, offer services connected with insurance at the clients'

expense for possible rate and percent risks, and carry out other operations (Candidate of Economic Sciences M.M. Bondarev, the IBEC).

The conference paid much attention to an analysis of the prospects for the development of the credit activity of the International Investment Bank. At present the IIB does not yet utilize all the opportunities inherent in its establishment. The fulfillment of the functions inherent in investment credit is hampered by an insufficient perfection of the mechanism of its commodity coverage. Such a mechanism should be ensured by a system of planning international trade flows, by reserves of production capacities of CEMA members, and by the created national wholesale markets of socialist countries. In practice, for now it includes, and not fully at that, only the first element. IIB credits are issued with due regard for the fact that commodity deliveries for them will be made within the framework of signed trade turnover agreements. In practice, however, it is not always possible to use credit according to purpose owing to the shortcomings in the planned multilateral balancing of the trade turnover and formulation of agreements on commodity deliveries and payments among countries. The establishment of a market for wholesale trade in machinery and equipment as a result of the restructuring of economic mechanisms of CEMA countries will increase the interest of enterprises in uncovering internal reserves and will also enable them to dispose of products produced in excess of state orders. This will enable the IIB to solve the problem of commodity coverage for credits, because on this basis CEMA members will engage in noncontingent trade among themselves. IIB credits will begin to be based, on the one hand, on planned deliveries and, on the other, on deliveries within the framework of the commodity exchange according to direct economic ties. The agreement on the formation of the IIB and its charter envisage the possibility of carrying out operations in national currencies. The new policy of using national socialist currencies in the international turnover will enable the IIB to attract resources from countries in their currencies for the purpose of granting investment credits, primarily, to joint economic organizations and enterprises engaged in direct ties (Doctor of Economic Sciences V. N. Zholobov, executive secretary of the IIB Board).

Participants in the conference examined a number of problems concerning price formation in USSR foreign trade. In the opinion of Doctor of Economic Sciences Ye. I. Punin (the Moscow Institute of Finance), the lack of convertibility of the Soviet ruble and other socialist currencies is one of the reasons why foreign trade volumes of socialist states lag behind those of developed capitalist countries. This makes it necessary to use differentiated currency coefficients for converting foreign currency contract prices in export and import operations of enterprises, which have received the right to enter world commodity markets. This creates difficulties. In some cases the proceeds from exports converted into Soviet rubles do not cover the high production

expenditures of the most lagging enterprises producing complex finished articles and during import lead to a rise in the cost of some imported equipment. At more advanced enterprises differentiated currency coefficients contribute to an increase in profit. On the whole, the application of differentiated currency coefficients creates economic interest on the part of enterprises in the development of foreign economic activity under conditions of the unsolved currency rate problem.

The conference singled out a number of aspects concerning the interconnection of currency and price problems at the world socialist market. The relationship of contract prices and currency rates, primarily of the transferable ruble, with respect to the currencies of capitalist countries is of a dual nature. First, the currency rate is expressed through the price ratio, that is, the price factor in its formation operates. Second, the currency rate performs a price forming function, that is, the currency factor in price formation operates. At the same time, prices are initial with respect to currency rates. Therefore, a revision of contract prices is a necessary condition for calculating the real rate of the transferable ruble and national currencies of socialist countries, as well as for gradually introducing the convertibility of these currencies. Bringing contract and foreign trade prices of socialist countries, as well as internal prices, closer to world market prices is the most important direction in their revision. The conditions necessary both for gradually bringing contract and internal prices closer to world prices, as well as for gradually introducing transitional forms of convertibility of the transferable ruble and national currencies of socialist countries, have now been formed (Candidate of Economic Sciences A. Yu. Zhdanov, the Moscow Institute of Finance).

Financial-economic and currency-credit problems concerning the establishment and activity of joint enterprises on USSR territory were also in the center of attention of the participants in the conference. The spread of joint enterprises in promising areas of development of science and technology and in chemical, machine building, electrical engineering, and other sectors is a positive feature. Firms in the FRG, Italy, Sweden, and Finland account for the biggest share of foreign investments. Difficulties in the provision of currency self-support and a reliable material and technical supply of goods from the Soviet market are serious problems complicating the activity of joint enterprises with the participation of firms from capitalist countries. These problems can be solved under the conditions of a further expansion of the economic independence of Soviet enterprises. There are unsolved problems concerning mutual relations of joint enterprises and their foreign partners. Joint enterprises encounter considerable difficulties during the development of schemes for financing and crediting their establishment and activity. These complications are also connected with taxation, liquidation of a joint enterprise, accounting, and so forth. (S. Yu. Yevstratov, expert of the USSR Ministry of Finance).

The establishment of a joint enterprise presupposes a careful preparation of a technical and economic substantiation. Problems concerning the organization of financing, preinvestment research, an evaluation of the distribution of financial and commercial risks, and the determination of reliable sources of credit liquidation are of decisive importance for the realization of plans. Joint enterprises need several types of long- and short-term credits. The necessary resources can be mobilized in the following forms: first, by issuing and floating securities—shares and bonds; second, by attracting credit in a foreign currency on commercial terms in the USSR Foreign Economic Bank; third, by obtaining credit from foreign banks and firms in coordination with the USSR Foreign Economic Bank. The USSR Foreign Economic Bank as an agent provides the necessary consultation services for borrowers and controls the attraction of credits on competitive terms. Such credits could be granted under the guarantee of foreign firms and interested Soviet organizations, for example, founders. However, the volume of guarantees should not exceed the share of participation of the Soviet partner in the statutory capital of a joint enterprise, being commensurate with the amounts of the guarantor's currency funds (Candidate of Economic Sciences A. L. Smirnov, the USSR Foreign Economic Bank).

The restructuring of the economic mechanism affects various aspects of credit assistance provided by the USSR to developing countries. The realization of party and government decrees in the area of foreign economic activity potentially opens up additional opportunities for the solution of some problems of credit relations with young states. One of the possible ways of solving these problems is the following: If the debtor is unable to pay his debts, he can issue and place at the disposal of the Soviet side shares, which give it the right to participate in the project built with USSR credit assistance in a sum equivalent to the amount of due payments. At the same time, the project is transformed into a joint property of the creditor and the debtor represented in the person of appropriate Soviet and local organizations (Candidate of Economic Sciences V. Ye. Gankovskiy, the Credit and Financial Scientific Research Institute of USSR Banks).

The task of developing economic cooperation with developing countries primarily on a multilateral level, which is set by the 43d (extraordinary) CEMA session, also pertains to credit cooperation. The establishment in 1973 of a special fund for crediting measures for providing economic and technical assistance to developing countries, which was formed at the IIB, is one of the forms of organizing multilateral credit relations between CEMA members and developing countries. The announced sum of the special fund is 1 billion transferable rubles, 5 percent of which are in a convertible currency. By the beginning of 1988 the paid part totaled 35.2 million transferable rubles. To this day not a single credit has been granted from the resources of the special fund. The main reason lies in the difficulty in the use by supplier countries of the funds received in transferable

rubles in settlements with other CEMA members under the conditions of the existing bilateral balance of their mutual trade turnover. This obstacle can be definitively eliminated only with the introduction of convertibility of the transferable ruble. At present the formation of specific funds by interested CEMA members for the construction of specific projects in developing states would become a more efficient form of multilateral credit cooperation. The fact that, initially, they would be created not as formally monetary funds, but as funds of obligations secured by a commodity mass is their advantage (Candidate of Economic Sciences V. Yu. Shagov, the All-Union Scientific Research and Design Institute of the USSR Ministry of Foreign Economic Ties).

A more active participation of the USSR in the world division of labor presupposes its participation in international organizations: the UNCTAD, GATT, IMF, and IBRD. For the USSR the role of the UNCTAD is determined by the fact that membership in this international organization opens up for the Soviet Union the opportunity to participate in a discussion of a wide range of problems of international economic relations. In order that the USSR may join the GATT, enormous work is needed on restructuring the economic mechanism for the purpose of attaining a greater comparability of the mechanisms for managing the economy and foreign trade. The entry of a number of socialist countries (the Socialist Federative Republic of Yugoslavia, the Chinese People's Republic, the Socialist Republic of Vietnam, the Socialist Republic of Rumania, the Hungarian People's Republic, and the Polish People's Republic) into the IMF and the IBRD in the 1970's and 1980's showed that the economic effect from their participation in the IMF was not big and they obtained the main benefits from the use of IBRD credits. The possible negative consequences of the line of reorienting the foreign economic relations of this group of countries toward the West, which is pursued by the IMF and the IBRD, for the trade turnover within CEMA cannot be underestimated. In light of the restructuring of USSR foreign economic relations, the formulation of the question of the prospects for the entry of the USSR into the IMF and the IBRD with the creation of the necessary conditions, primarily a successful realization of the plans for accelerating the country's social and economic development, is urgent (Prof V. I. Surovtseva, the Moscow Institute of Finance).

The conference gave a critical analysis of contemporary bourgeois views of problems of international currency and credit relations of socialist countries. The preservation of traditional methodological approaches was noted: The concept of an independent search by enterprises of partners on the "free," that is, capitalistically organized, market under the conditions of an unlimited mutual convertibility of currencies, as before, predominates as the optimal model of intensification of integration cooperation. Under the effect of restructuring certain positive shifts are observed in the USSR. In particular, this concerns prospects for the growth of

economic relations between the East and the West and the possibility of utilizing the most promising forms of cooperation within their framework (international production cooperation and joint enterprises). Pessimistic forecasts give way to a search for constructive solutions of arising problems and the lack of convertibility is not portrayed, as before, by an insurmountable obstacle to the development of cooperation. In particular, some bourgeois economists proposed such variants as settlements with a foreign partner with proceeds from the sale of products of a joint enterprise on the markets of third countries and with saved currency resources during the delivery of import replacing products by a joint enterprise to the internal market of a socialist country, or within the framework of barter transactions (Candidate of Economic Sciences M. A. Goncharenko, the Moscow Institute of Finance).

#### **International Currency-Credit and Financial Relations of Capitalism**

A search for new approaches to the study of these problems from the aspect of the restructuring of thinking and development of scientific and practical recommendations for improving the USSR currency and financial mechanism with due regard for foreign experience is in the center of attention.

The new approach lies in organizing a real (not in words, as before) union of theory and practice and in reinterpreting concepts that have not withstood the test of time. At the same time, the search for nontraditional thinking is effective only on a Marxist-Leninist world-outlook and methodological basis. The need to change over from words to concrete deeds raises not only the question of the freedom of criticism (under the new conditions appeals appeared for a revision of achievements, for modern innovations, for a breakup of the previous conceptual apparatus, and for a replacement of generally accepted concepts with new ones), but also of its content. For example, the methodological principle of feedforward and feedback of currency and credit relations with reproduction is of practical significance. In order to attain success in the restructuring of international currency-credit and financial relations, it is necessary to strengthen the internal economy, whereas running ahead without due regard for the state of the internal economy is dangerous.

The concept of an interdependent world determines the new approach to the study of foreign experience for improving the currency and financial mechanism of the USSR and CEMA countries. The policy of using socialist currencies in the international turnover and the introduction of their convertibility require a generalization of the patterns of this process with due regard for the experience of other countries. The creation of objective prerequisites and the strengthening of the economy and the foreign economic complex are required and a stage-by-stage introduction of currency convertibility is needed. Despite the pressure of the United States, 14

years after the war were needed for West European countries and Japan to introduce an exchange—at first partial and in the early 1960's full—of their currency into foreign ones in December 1958, preserving currency restrictions on a number of financial operations to this day. The study of foreign experience is important for improving the restructuring of the financial and banking system and the economic mechanism of the USSR, that is, introduction of cost accounting, payability of services, attachment of credit investments to bank resources, creation of a financial market, and so forth.

The new approach lies in a realistic evaluation of the periodically changing correlation of state and market regulation of international currency and credit relations, which gives rise to a multivariant nature of concepts and practice.

In connection with the globalization of the problem of countries' foreign debts it is important to investigate their permissible limits and an efficient use of borrowed funds. The strategic policy of the USSR—orientation, primarily, toward internal accumulations—is a reliable path, which makes it possible to avoid acts of economic sabotage and heavy pressure by Western creditors.

There is a need for a new approach to evaluating the ways of a further reform in the Jamaican currency system with due regard for the growing interdependence within the framework of the integral world and of the new spiral in the uneven development of capitalist countries. The United States has ceased to be the monopoly leader. However, despite the increase in American deficits (in the state budget, internal debt, and balance of payments), in fact, the dollar standard has remained, which enables the United States to use currency and financial methods of robbing other countries. Taking into consideration the attack of the FRG mark and, especially, the Japanese yen on the dollar, the legalization of the actually formed currency pluralism, owing to the new alignment of forces on the world arena, is inevitable. With due regard for the negative consequences of "floating" currency rates the tendency toward establishing the limits of their fluctuations seems promising.

The idea of the "all-European house" and the establishment of official relations between the CEMA and the EEC determine the new approach to the activation of their currency and credit cooperation.

The new approach lies in coordinating international currency and credit relations with the ecological problem. The time has come to change over from a description of ecological troubles, which threaten the environment with a "heart attack," to an investigation of their feedforward and feedback with currency and credit relations and to the development of a socialist concept of international ecological security and its financial support (Prof L. N. Krasavina, RSFSR honored scientist—subject supervisor).

The conference gave an evaluation of the uneven development of interimperialist contradictions. It was shown that they were based on the uneven development of capitalist states and centers of imperialism. The weakening of U. S. positions in the world capitalist economy became the result of the uneven development. The country's proportion in the gross domestic product, industrial production, international trade, and foreign investments of capitalist countries decreased. Huge deficits of the trade balance and of the balance of payments were formed. The sum of American assets abroad became smaller than that of foreign assets in the United States. Conversely, the European Community (EC) reduced its lag behind the United States in many indicators and in a number of cases exceeded them. However, with the development of integration processes the contradictions in the EC do not disappear. In contrast to the United States and Japan, Western Europe and its economic nucleus—the EC—do not represent a single whole, which undermines their positions in the confrontation with other centers of imperialism. At the same time, the economic and scientific-technical potential of Japan, which has become the second industrial power and the biggest creditor of the capitalist world, has risen sharply. Western Europe and Japan have thrown down a serious challenge to the economic hegemony of the United States (Prof Ye. S. Khesin, the Institute of World Economics and International Relations of the USSR Academy of Sciences).

The characteristics of currency relations of capitalism from the middle of the 1980's have been analyzed: 1) a large imbalance in balances of payments; 2) takeoff of currency integration in the EC; 3) reduction in the proportion of international trade and rise in the role of noncommercial payments, services, fictitious capital, and servicing of the adjustment of productive and loan capital in the formation of currency rates (the movement of goods accounts for no more than one-fifth of the international settlements); relative decline in the role of the dollar in the performance of functions of world money, although it retains the leading role; 5) revival of the discussion of a new world currency system instead of the Jamaican one. Significant changes have occurred in the credit sphere: the winning by Japanese banks of the first place in the world in assets and the transformation of international debts into a global problem affecting developed capitalist countries no less than developing ones. Since 1985 the United States has become a major net-debtor. Undermining of international liquidity, which carries the threat of an upheaval in the credit system of capitalism, was noted (Prof V. N. Shenayev, deputy director of the Europe Institute of the USSR Academy of Sciences).

With the increase in the instability of capitalism in the early 1970's new noninstitutional forms of interstate regulation of currency and credit relations, in particular, top-level economic conferences within the Group-7 framework, have appeared (S. K. Ovsyannikov, the Moscow Institute of Finance).

The approach to the state-monopoly regulation of international trade, which is carried out at four levels, that is, private monopoly, state, regional, and international, has also changed. The weakening of the effectiveness of international regulation, in particular through the GATT, according to the requirements of which only 50 percent of the transactions in international trade are now carried out, was caused by the intensification of the remaining three levels (graduate student G. V. Zabolotskiy, the Moscow Institute of Finance).

A number of speeches were devoted to the role of the dollar, on which the Jamaican currency system of capitalism is based to a significant extent. However, the special position of the dollar does not signify its stability. The constant zigzags in the rate of the American currency and its takeoffs and falls have become a constant phenomenon. In the last 15 years the rate of the dollar has changed the direction of its movement three times (docent V. A. Ilyasov, MFTI).

Although the dollar remains the basic component of official currency reserves of capitalist countries, the diversification of the composition of international liquid funds is intensifying (graduate student G. V. Mitelshteyn, the Moscow Institute of Finance).

An investigation of U. S. currency regulation in the 1980's makes it possible to draw the following conclusion: Currency policy is an integral part of the monetary and credit policy of the United States. The change in U.S. currency policy at the end of the 1970's and in the 1980's is connected with the strategy of the internal monetary and credit policy of the FRS, which after October 1979 changed over to regulating (with the use of planning elements) the rates of growth of commercial banks' mandatory reserves and rates of growth of the monetary mass. This contributed to the growth of real interest rates and the rate of the dollar during the first half of the 1980's, which aggravated the solvency crisis of developing countries (A. N. Filippov, the USSR Foreign Economic Bank).

The U.S. monetary and credit system has been transformed into the main redistributor of financial resources in the world capitalist economy, which is manifested in large inflows and outflows of capitals. This has an effect on the functioning of the capitalist currency market under the conditions of a sharp rise during the second half of the 1980's in its volume (up to 50-100 trillion dollars annually at present) and increase in the world capitalist currency turnover of the share of operations for servicing the international movement of financial and funded paper (Candidate of Economic Sciences V. V. Acharkan, the Scientific Research Institute of Finance of the USSR Ministry of Finance).

The new phenomena on the world gold market and the prospects for its development were analyzed. An increase in the share of operations of a financial nature on this market and in the role of such of its participants

as hoarders and investors was noted. Their share in the demand for gold rose from 1/4, on the average, in the 1970's to more than 1/2 in the 1980's. New types of financial operations appeared: deposits and credits in gold, financial swaps, and the issue of securities connected with gold. Using the gold market as an example, it is possible to follow the process of joining of commodity and financial markets, which, under the conditions of internationalization of economic relations reflects the tendency toward the formation of a common world financial market (O. P. Yenukov, the USSR Foreign Economic Bank).

The participants in the conference analyzed the changes on national loan capital markets and in the activity of the stock exchange, which performs a specific function in the accumulation and mobilization of money capital, although this is a secondary market, which performs the function of redistribution. The exchange is closely connected with the industrial cycle: Its dynamics affects primarily the credit-financial and currency system and through them creates certain fluctuations on the exchange. The effect of the disorder in state finances—huge budget deficits and the growth of the state debt—on the exchange was stressed especially. Tax policy also affects the increase in purchases of securities. The role of the exchange in the economy also grew as a result of state support (Prof Ye. F. Zhukov, the Moscow Institute of the National Economy imeni G. V. Plekhanov).

The conference paid special attention to a new phenomenon—a decline in the role of direct bank crediting through a more extensive utilization of operations with securities as tools mediating the movement of the loan capital. In most capitalist countries the process of restructuring exchange mechanisms is characterized by the following features—creation of additional markets for securities of medium-size and small companies; computerization of exchange trade; its internationalization at the level of participants in operations and quoted securities; acceptance for quoting or creation of specialized exchanges for such tools as futures, options, and indexes. The practical significance of the examined problems for restructuring the economic mechanism in the USSR lies on two planes: the use of foreign security markets for the diversification of sources of attracting funds and the movement of Soviet goods to the markets of these countries, as well as the study of the mechanism involved in the functioning of financial markets for the use of their tools for the purpose of improving monetary-credit and currency-financial systems in socialist countries (Candidate of Economic Sciences S. V. Pavlov).

The attraction of loans by floating securities spared capitalist banks and corporations from a significant share of expenditures connected with guarantees, mandatory reserves, and insurance arising during receipt of credit. Of great importance is also the reduction in credit risks through a redistribution of the risk of non-payment to a number of creditors and shifting the risk of a change in current interest rates to financial institutes

less sensitive to it than commercial banks—to pension funds, insurance companies, and so forth. Stock exchange transactions of the “swap” type, which represent a withdrawal of bonds from circulation with the issue of shares instead of them, have been developed. In recent years not only individual corporations, but also entire countries, which have gotten into a difficult financial situation, have begun to resort to operations replacing debts with capital (docent A. N. Sharov, the Ternopol Financial and Economic Institute).

New phenomena in the sphere of Eurofunded loans in the 1980's were analyzed. An increase in the emission of Eurobonds, which exceeded the volume of international credits more than twofold in the second half of the 1980's, was noted. The amount of loans of private companies increased to 1 billion dollars and of states, to 2-4 billion dollars. In the middle of the 1980's the share of the U.S. dollar in Eurofunded loans declined and in 1986 the Japanese yen took the second place, outstripping the FRG mark. There is a diversification of terms: shortening of the term of some loans and lengthening of the terms of others. Investors are given diverse conditions of purchase of securities, which contributes to a more effective borrowing of available funds. Despite the reduction in the volume of operations in 1987, the Eurobond market will remain the most important component of the international loan capital market in the next few years (docent V. S. Volynskiy, the Moscow Institute of Finance).

The conference analyzed the tendencies in the development of interest rates in capitalist countries. In the 1970's the rise in interest rates reached the climax in the early 1980's. In 1982-1987 nominal interest rates dropped to the 1976-1977 level. However, real (adjusted to the inflation rate) interest rates were kept at the highest level during the postwar period. In the opinion of Candidate of Economic Sciences L. A. Serebryakova (the Scientific Research Institute of Finance of the USSR Ministry of Finance), the acceleration and slowdown of inflation exceeded the effect of other factors (cyclical nature of reproduction or dynamics of the budget deficit and state debt) on the formation of interest rates. The significance of deregulation of the credit sphere, one of the elements of which was the weakened regulation of interest rates, which was expressed in the cancellation of restrictive “ceilings” of deposit rates, was noted. The results of international coordination of the movement of national interest rates were analyzed.

Problems and contradictions of national, international, and supranational regulation of the activity of capitalist banks were examined (docent V. A. Ponomarev, the Moscow Institute of Finance).

With due regard for the experience in the regulation of activity of capitalist banks under the conditions of the reform in the USSR banking system, from the point of view of docent B. K. Irishev (the Alma-Ata Institute of the National Economy), it is advisable to use interbank

refinancing—a short-term market for a secondary redistribution of the temporarily unused statewide loan fund. Thereby, on the one hand, the most efficient use of the loan fund is ensured and, on the other, conditions guaranteeing the sources of crediting for enterprises functioning in the self-financing regime are created. The introduction of norms concerning the mandatory reserves of resources of specialized banks will enable the USSR State Bank to affect macroeconomic processes in the desired direction.

The study of the problem of issuing real estate loans, that is, for crediting housing construction and purchasing homes in capitalist countries, is also of practical interest. It is possible to use the experience of capitalist banks in the issue of credit cards and a wide advertisement of services provided for the population by credit and financial institutes (Ye. B. Shirinskaya, the USSR Bank for Housing and Municipal Services and Social Development).

A number of speeches were devoted to inflation problems. Whereas at the end of the 1960's and the beginning of the 1970's there was a marked increase in the rates of rise in prices in capitalist countries, from 1983 a certain decline in inflation rates has been observed. Inflation factors continue to operate, but their correlation changes and general economic conditions for a rise in prices are modified, which determines the nonuniformity of the inflationary process. The following contributed to the decline in inflation rates in the 1980's: The characteristics of the cyclic development of the capitalist economy (the 1980-1982 world economic crisis was noted for its long duration and depth); acceleration of labor productivity growth in connection with the new stage in the scientific and technical revolution and reduction in production costs per unit of output, relative reduction in budget deficits and increase in their part covered by real savings, reduction in the rates of growth of the monetary mass and reduction in the rate of money circulation; rise in nominal and real interest rates; drop in prices of raw material goods on the world capitalist market. However, this does not signify that the inflation problem has been solved. In most developed capitalist countries (except for the FRG and Japan) the rates of rise in prices of consumer goods now exceed the indicators of the 1960's (Candidate of Economic Sciences Ye. P. Baranova, the Moscow Institute of Finance).

Under inflation conditions the purchase of land plots, private residences, gold, and antiques is more and more often considered by the big bourgeoisie a real and profitable alternative for an expansion of industrial capital, deposit of funds in bank accounts, or purchase of securities. One of the new forms of capital—“nonproductive capital”—whose owners have completely withdrawn from participation in the production process, is developing. A systematic rise in the market value of real estate and luxury items at rates exceeding the general

inflation rates in the country is a mandatory condition for their functioning as capital (Candidate of Economic Sciences A. R. Yermakov, the Gorkiy Institute of Water Transport Engineers).

#### **Problems of International Currency and Credit Relations of Developing Countries**

The problem of settling the foreign debt of developing countries is one of the major problems discussed at the conference. The specific nature of the present debt crisis, which has continued from the middle of 1982, lies in the fact that it occurs under a strong effect on the part of the IMF and other institutions. Their interference made it possible at the beginning to avoid extreme manifestations of the debt crisis, which, otherwise, could have been expressed in a mass refusal of debtor countries to pay off their obligations with all the ensuing consequences for the international credit system. The programs for "normalizing" the economy imposed by the IMF and the IBRD on debtors are applied simultaneously with the system of "forced" crediting, which has firmly entered the bank practice. In 1985 the "Baker Plan" outlined the ways of settling the debt crisis by the method of a further intensification of interstate intervention. However, this program was not successful. The malfunction in the interstate mechanism under the conditions of the new spiral in the aggravation of debt contradictions gave an impetus to the intensification of the role of banks in the debt settlement process. Banks openly admitted that they did not expect the developing countries to fully pay off their debt to them and began to write it off partially. In connection with this the secondary market was activated and operations for transferring debts into shares and other securities expanded. For now the scale of such operations is not big. However, this method of utilizing market levers for settling the debt problem is one of the realistic mechanisms of getting out from the debt crisis (Doctor of Economic Sciences S. A. Byliniyak, the Institute of Oriental Studies of the USSR Academy of Sciences).

In the early 1980's under the conditions of the crisis in foreign debts of developing countries the West's financial capital was forced to revise some methods of neocolonial exploitation, adopting the concept of "structural adaptation." The most important role in its realization is assigned to the IMF and the IBRD, which in this connection in the 1980's introduced changes in their credit policy with due regard for the foreign debts of developing countries. Both institutes sharply increased the crediting scale, at the same time, making the terms of credits stricter. The share of long-term credits for purposes of structural adaptation increased in IMF and IBRD credits. The interaction of the IMF and the IBRD in the form of coordinating credit policy and bringing terms of crediting closer together intensified in the 1980's. Developing countries require a clear delimitation of IMF and IBRD functions and a break in the existing connection between the programs and credits of both institutions (docent N. N. Ivin, the Moscow Institute of Finance).

International financial circles tend to solve the debt problem by new methods, for example, in the form of "sale of the debts" of developing countries to their residents, who count on their liquidation by the government and can use these obligations at the full nominal value as a guarantee. However, these technical innovations play the role of a palliative, because, facilitating the terms of current payments, they do not solve the debt problem (N. Z. Shkodzinskaya, the Ternopol Financial and Economic Institute).

The emergence of international monetary accounting units of developing countries was one of the results of the crisis in the international capitalist currency system. The conference analyzed the functioning of the Central American peso, the Asian monetary unit (AMU), the West African unit of account (WUA), the Arab accounting dinar (AAD), and the Andean peso. In their nature they are similar to SDR and ECU in many respects. International monetary accounting units are created for commensurating in mutual operations the rate correlations of national currencies, reserves, and other obligations. Similarly to ECU and SDR they disclose the tendency toward moving to a form of international credit money. It is possible to use them as a base for currency clauses, as well as in mutual payments, which will make it possible to save a freely convertible currency. The possibility of using the experience in the functioning of these units for improving the transferable ruble should also be studied (Doctor of Economic Sciences V. V. Shmelev, the All-Union Scientific Research and Design Institute of the USSR Ministry of Foreign Economic Ties).

The conference examined methodological and methods problems connected with elaborating an overall forecast of social and economic development of the 40 least developed out of developing countries and their currency and financial relations for the period until the year 2010. Difficulties in accurately foreseeing the amounts of value indicators in current prices under the conditions of sharp leaps in the average price level and the unsolved problem of foreign debts of developing countries have a serious effect on the instability of the currency and financial position and the unpredictability of the situation by the years 2010. The organizational problem should also be solved. It is necessary to establish a scientific-methodological and information center for modeling and forecasting the social and economic development of liberated countries—prospective partners of the USSR and other socialist states (docent A. V. Sidenko, Peoples' Friendship University imeni Patrice Lumumba).

The participants in the conference adopted recommendations on the further development of this comprehensive subject.

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### Activities, Future Plans of Finnish-Soviet Baltlink Joint Venture

18070639 Vilnius SOBYTIYA I VREMYA in Russian  
No 4, Feb 89 pp 22-24

[Article by Kersten Saar, candidate of economic sciences: "The 'Baltlink' Routes"]

[Text] An act establishing the Baltlink joint firm was signed on 29 September 1988 in Tallinn between the Soviet Union and Finland. Finland is represented in this firm by the Baltlink Finland Oy company and the Soviet Union—by the Baltservis joint-stock company, the first one in postwar Estonia.

The purpose of Baltlink's activity is to help in repairing international trade transport plying the Baltic Sea and to establish the material preconditions for expanding foreign tourism in Estonia.

Everything begins with the providing of international transport services. The demand for them is great. Finland alone annually sends 5.5 million tons of cargo (70 percent is wood, paper and cellulose) to the countries of Central and Eastern Europe. At the present time, the Skanlink transport system carries this cargo through southern Sweden and Denmark. The newly inaugurated firm will deliver freight from Central and Eastern Europe through the Baltic area almost 24 hours faster.

In practice, this will occur in the following way: Freight containers and packages on motor vehicles and roll-on roll-off ferries will be delivered to Tallinn from ports in southern Finland (for example, from Helsinki and Kotka); from there—through Riga, Vilnius or Minsk to Brest and, subsequently, possibly to Chop. For the present, it seems, the Baltlink firm will use the services of the socialist countries' transport systems to deliver freight from the Soviet Union's borders. In the future, however, it will create a single transport system which will insure deliveries—as they say—from door to door. To some degree, the preparation for providing these services is now already taking place. On the Soviet side, one shareholder is the Tallinna Autoveod Transport Association which has at its disposal a specialized branch of international motor transport; on the Finnish side, two branch transport firms—Kombitrans and Finnterminals—of the Kimmene Oy timber industry concern are participating.

Experimental shipments were planned for the end of 1988; however, work will be fully unfolded only in the middle of 1989. During 1989, it is planned to ship 100,000 tons of freight through the Baltic area, and the capacities of international transport should reach approximately a million tons a year in 1995.

By that time, a modern infrastructure in the full sense of the word should be formed in the republic (and in actuality, along the entire international route that passes through the entire Baltic area). We have in mind not only



Figure 1

Northern Europe's transport system should look like this. An efficient and differentiated system is one of the most important conditions for the region's successful competition. A great deal has been done to develop it during recent years, especially during the present decade. Nordlink has already been operating for more than a year. Skanlink will begin transporting freight between Finland and Scandinavia in the near future. Plans for opening transport channels through the Baltic union republics in the direction of Murmansk have already approached the implementation phase.

ports and roads but also a network of filling stations, service stations, hotels, and dining halls. International tourism, especially automotive tourism, can also use this same infrastructure. That is why the second important avenue in the Baltlink firm's activity is the expansion of foreign tourism in our republic. Only when we have developed transport and tourism in a parallel manner and step by step will the guarantee of a maximum effect from the investments in the national economy appear.

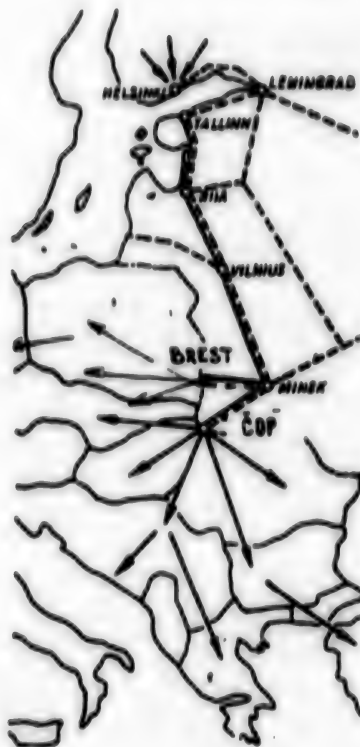
At the present time, tourism is one of the most dynamic sectors in the non-production area throughout the world; in the industrial countries, it grows by 12-16 percent annually. During the last ten years, the stream of international tourism has tripled on the average, and investments in tourism have grown fivefold during that period. Tourism is becoming ever more specialized and the requirements for tourist services are becoming complicated. International tourism is an area in which the Baltic republics—having a seacoast and transit positions in the western part of the Soviet Union—must invest resources.

It is sufficient to glance at a map and we will understand that the Baltic republics, Leningrad, Leningrad Oblast, and Kareliya are organically linked in northern Europe's "tourist market." Annually, four million tourists, half of whom are in automobiles, come from West Europe and other parts of the world through the Scandinavian peninsula to admire its beauty. Approximately two million cross over on ferries from Sweden and Finland. If the present-day trend toward an increase is maintained, one can assume that the stream of tourists in northern Europe will increase 1.5-fold by the end of the century. However, it could be even more significant if the regional northern European tourist complex included the above mentioned zones of the Soviet Union. Up until now, Tallinn and Leningrad (undoubtedly, a very important and prospective tourist city in this zone) enjoy barely a tenth of the potential regional tourist market.

At the present time, all of the states in northern Europe are interested in expanding international tourism. The purpose of the cooperation is to establish a circular route around the Baltic which would improve the tourist zone's attractiveness in the eyes of those touring by car. Up until now, those touring by car from West Europe had to cross the entire Scandinavian peninsula and return along almost the same route. In this sense, Finland is the "blind alley" but it is possible to cross in a car here by ferry. The situation would change if tourists were given an opportunity to complete their trip around the entire Baltic Sea. All of the states in the area would gain from this. It is not necessary to mention how important it is to inaugurate sea and air lines between the main tourist cities of northern Europe.

First and foremost, the Baltlink directors are thinking about establishing a network of enterprises that will provide the required services to people touring by car. It is clear that motels (it seems that the construction of camping grounds is inadvisable in our climate considering the growing demands of tourists), filling stations providing complete services, service stations, stores, and medical and communications establishments are the main ones. Unfortunately, these establishments for servicing foreign tourists do not exist at the present time—although the route from Leningrad (through Tallinn, Riga and Vilnius) to Brest was opened up to international tourism at the beginning of 1988.

Tourism is an important factor in the economy's growth. It creates favorable conditions for developing a complex and differentiated network of trade, service and cultural enterprises. Foreign tourism also opens up new opportunities for many branches in the production area, especially agriculture and the food and light industries, to sell their products. You see, a branch, which is spoiling for an international market, must usually rack its brains over how to deliver its goods to a foreign buyer across the state border. Tourism delivers the buyer to the commodity being offered.



**Figure 2 Motor Vehicle Main Artery**

The future main artery for international tourism through the Baltic area. The sector, where it is advisable to deliver Finnish in-transit goods over the Baltic super-highway, is comparatively narrow and would primarily reach the countries of Central and Eastern Europe; and the states of West Europe and Turkey—less. In West Europe, freight is sent by sea and delivered further from the ports of the Baltic and North seas. For example, Vienna is located 1,050 kilometers from Gdansk, 1,100 kilometers from Rostok and 2,387 kilometers from Tallinn.

Another important principle arises here: The effect of tourism depends not only on the number of foreign tourists but also on the length of their stay. With regards to Estonia, Tallinn has been the primary recipient of tourists up until now; however, it is necessary to open up the entire republic, including the coastal areas and islands, to foreign tourism in the future. That is why the Baltlink firm is trying to establish tourist projects along the entire international tourist route. Local authorities and many enterprises and organizations are interested in shareholding.

Baltlink's third task is to expand the republic's international communications. These international communications are primarily being treated as part of the infrastructure being built. In the future, however, they have the capability of becoming an absolutely independent type of service with an international orientation. The transit position of Estonia on the Soviet Union's borders

favors this. For example, practically all channels of modern communications have existed in Tallinn and Helsinki since 1980. Difficulties are basically arising because of the transfer of these channels to the republic's national economy.

A direct path to the international market through the non-production area—specifically, through international transport, foreign tourism and communications—is opening up to Estonia just as to the other Baltic republics. This sector is a very dynamic one and capable of insuring an increase in the required foreign currency revenues. Our industry does not have these prospects. Industry—both heavy and light—must fundamentally reorganize their structure and reject resource-, energy-, and labor-intensive production facilities and replace them with scientific-intensive ones. However, years and decades are required for such transformations.

Quite a bit less time is required to establish a system of services capable of competing on an international scale. The material base for a system of regional cooperation and the appropriate experience should be acquired by the end of the next decade. Up until now, we have basically been talking about the north-south movement of transport and tourists. However, the west-east direction will begin to dominate before the end of this century.

This will be determined by the Soviet Union's increasing participation in the international production cooperation system. The growing streams of freight will increase the role of maritime transport in comparison with other

and, frequently, more expensive types. The Baltic represents the Soviet Union's western maritime gates. Once again, one can recall here the transit position of the Baltic republics, their position on the coast, and their economic significance which will grow in the USSR's national economic complex during the next decade.

One other thing: In three years, the last obstacles (borders) on the path of moving goods, capital and manpower in the European Community will disappear and a market with 320 million buyers, a high technical and technological level and enormous purchasing power will be formed. It will become far and away more complicated than now to enter this market. That is why the desire of many states to join the European Community while the gates are not closed, is understandable. All of the northern European countries, especially Norway, are searching for an acceptable model to strengthen their ties with the European Community. You see, the approval of the European Community's central agencies may be required in the next decade for those decisions that are being made today at the national level.

The fact that rapidly integrating Europe cannot manage without international transport and communications or tourism is somewhat reassuring. In this regard, Baltlink is being built on a solid foundation. Nevertheless, this does not mean that it is possible to rest now that an agreement on cooperation has already been signed. As has already been mentioned, there is little time—12 years remain until the end of the century.

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**Plans for Future Uzbek-Macedonian Cooperation**  
*18070266 Tashkent PRAVDA VOSTOKA in Russian*  
24 Mar 89 p 3

[Passages in boldface as published]

[Text] As our press already reported, a party and governmental delegation from the Uzbek SSR visited the Socialist Republic of Macedonia (in Yugoslavia) at the beginning of February this year for the purpose of stronger inter-party, economic, scientific, technical, and cultural cooperation. The visit resulted in the adoption of programs and the signing of several contracts on mutual deliveries of goods.

The program for cooperation between the Central Committee of the Communist Party of Uzbekistan (CPUz) and the Central Committee of the League of Communists of Macedonia (LCM) in 1989 and 1990 envisages the development of a group of political, economic, scientific, technical, cultural, and other forms of inter-republic interaction. The program envisages the exchange of delegations to study experience. The delegations will include lecturers on relevant topics agreed upon in advance. Active contacts and communication will be established between the Tashkent gorkom of the CPUz and the Skopje gorkom of the LCM and between party committees and work crews of establishments and organizations in related fields. Cooperation will be established on the basis of mutual agreements between the editorial boards of PRAVDA VOSTOKA and KOMMUNIST. The program envisages the exchange of information by the news media and the production of joint publications and television and radio programs. By the terms of the agreement, representatives from Uzbekistan and Macedonia will also participate in congresses, scientific conferences, roundtable discussions, and other undertakings by personal invitation and with the terms of participation agreed upon in advance.

A delegation from the Presidium of the LCM will visit Uzbekistan in the second half of 1990 to discuss basic guidelines for cooperation and to sign another program of this kind for 1991 and 1992.

The program mentions the possibility of additional exchanges of delegations and groups and other forms of reciprocal contacts on the basis of specific agreements.

The program for the development of cooperation between the Uzbek SSR and the Socialist Republic of Macedonia in 1989 and 1990 is aimed at improving cooperation in various fields of mutual interest and is based on the principles of the Soviet-Yugoslav Declaration adopted in Belgrade in March 1988.

Contacts between the Supreme Soviet of the Uzbek SSR and the National Assembly of the Socialist Republic of Macedonia, the Council of Ministers and the Executive Council of the two republics, and the proper agencies,

sociopolitical organizations, scientific, technical, cultural, and sports establishments, work crews, and enterprises will be established for the purpose of improving economic, scientific, technical and cultural cooperation between the Uzbek SSR and the Socialist Republic of Macedonia and investigating the prospects for the development of friendly contacts and cooperation in various fields.

The two sides pledged to promote broader economic cooperation in mutual deliveries of machines, equipment, various materials, crude resources, agricultural products, consumer goods, and a variety of services. The program envisages the development of the cooperative and specialized production of machines, equipment, and consumer goods, the establishment of joint enterprises as the highest form of economic cooperation, the organization of joint performance in the markets of third countries and the joint development and incorporation of new technological processes, including processes in construction, the textile, food, woodworking, and furniture industries, the production of footwear, leather goods, and clothing, and other fields of mutual interest, and the establishment of direct contacts between trade and cooperative organizations in the Uzbek SSR and the Socialist Republic of Macedonia.

The program describes forms of scientific and technical cooperation. Priority will be assigned to the joint development of advanced technological processes because organizations in both republics have an interest in their incorporation. For this purpose the Uzbek SSR and the Socialist Republic of Macedonia will promote the creation of the necessary conditions for their incorporation by arranging for cooperative production and other forms of economic cooperation. Scientific and technical cooperation will also be developed in the fields of seismology, public health care, construction, transportation, communications, linguistics, and other fields of mutual interest.

The sides will continue cooperating in culture, the arts, television, film, sports, publishing, and other fields.

For the purpose of planning and carrying out measures in various areas of cooperation, the document says, competent agencies in both republics will hold working meetings by mutual agreement in Tashkent and Skopje. If necessary, joint working groups will be formed to study and draw up proposals on specific important aspects of cooperation.

The specific guidelines, volumes, and dates of trade, economic, scientific, technical and cultural contacts organized in line with the program will be defined in separate trade agreements and protocols on commodity exchange and payments.

While the program is in effect, there will be an exchange of delegations from the Uzbek SSR and Socialist Republic of Macedonia, headed by the chairman of the Uzbek SSR Council of Ministers and the chairman of the Macedonian Executive Council.

The program for cooperation between the Tashkent City Committee of the CPUz and the Skopje City Committee of the LCM in 1989 and 1990 is aimed at the development of comprehensive cooperation, the reinforcement and expansion of contacts, and the exchange of experience in work on specific socioeconomic problems in the development of the two cities. This will include the mutual study of the activities of city party organizations in the field of organizational and ideological work on the enterprise, neighborhood, and municipal levels and the direct exchange of experience by primary party organizations. Delegations from the cities will exchange views and experience on relevant aspects of socialist construction and the development of the two cities.

The document envisages broader and more specific economic cooperation and direct commodity exchange between enterprises and other economic organizations in Tashkent and Skopje.

One section of the program describes the forms of concrete cooperation on all levels between sociopolitical organizations and government agencies in Tashkent and the sociopolitical organizations and agencies of sociopolitical associations in Skopje. Priority will be assigned to the promotion of the development of cooperation between the Tashkent City Soviet of People's Deputies and the Skopje City Assembly for the purpose of studying their work experience, the work of deputies in Tashkent and the delegate system in Skopje. There will be broader contacts by the Tashkent gorkom of the Uzbek SSR Komsomol and the Skopje municipal conference of the League of Socialist Youth of Macedonia with scientific, cultural, and sports establishments and organizations, including continued cooperation between the editors of VECHERNIY TASHKENT and VECER for the purpose of the exchange of news and other information about the life and activities of the two cities.

**Standard of Living in Beijing Viewed**

18070268 Moscow ARGUMENTY I FAKTY in Russian  
No 19, 13-19 May 89 p 4

[Article: "How A Chinese Family Lives"]

[Text] Liu Bo and Ru Meizhu, XIN HUA PRESS  
AGENCY correspondents, say:

Modern Beijing is a city of contrasts: High-rise multi-apartment buildings are neighbors to picturesque single-story houses enclosed by grey earthen walls with inner yards that are buried in greenery.

Beijing's Chongshu Rayon can serve as a striking example of life in a "small yard" within a modern multistory Chinese city. This commune occupies an area of 1.1 square kilometers and is the second in population density in Beijing. A total of 52,000 people live in 18,400 single-story houses with 2,461 yards adjacent to them.

How does the ordinary Chinese family live in one of Beijing's courtyards?

Liu Zhuzhan, a 65-year-old secondary school teacher, is retired; her husband, Li Wengyu, works in a local college; and the youngest son, who lives with them, is a young worker. All of them occupy a three-room house with an adjacent courtyard which they use together with five other house owners.

This Chinese family's monthly income is approximately 500 yuan. This permits Liu's family to be regarded as being in the well-to-do category.

Liu receives a pension amounting to 88 yuan a month. This is 100 percent of her former wage. She is paid another 45 yuan for her work on the commune committee where she occupies the position of director, and she is paid 17.5 yuan as a state allowance for age. Those, who began their work activity before 1949—the year of the Chinese People's Republic's establishment receive a pension amounting to 100 percent of their wage and also have the right to free medical service after retiring. Liu began working in 1945. She retired in 1983 but they asked her to work on the commune committee because Liu has a secondary education at a time when other members of the organization are illiterate.

Liu's husband works as an instructor in a special school at the Normal College in Beijing and is, at the same time, the deputy dean of the physics department. He receives 250 yuan a month. The youngest son earns 100 yuan a month and puts all of this money aside for his future wedding. Liu says: "Hoarding has never been a norm of life for us. At the same time, I have never in my life gone into debt."

This morning, Liu decided to splurge and purchased fish for 18 yuan: "We have not eaten fish for several weeks and that is why I decided to pamper my family."

During the last several years, her neighbor in the courtyard has grown rich and opened his own business. Liu says: "He even has a piano and his own car. We are paupers in comparison with him. Now, approximately 400 private tradespeople in the Chongshu commune are engaged in selling fruit and repairing bicycles and household utensils. However, we too have begun to live rather well during recent years—we have bought a color television set that cost 3,000 yuan, a refrigerator, a radio receiver and a dinner set." All of this is a symbol of present-day China's modernization.

Liu says: "My youngest son attends night school three times a week and on those days he returns home at 9 p.m. He is already not young, and has still not found a girl for himself. In my opinion, his excessively strong passion for studies prevents him." The old people have recently acquired a double bed and a dinner set for their son's future wedding. When he marries, his parents want to give the young man their 20-meter room.

Liu is the second wife of 78-year-old Li Wenyu. As she herself explains: "I married him because it was my only opportunity to move to the capital 20 years ago."

Three years ago, Liu fell ill and was confined to bed for more than a year. "I completely wasted away during that time, losing 29 kilograms. The children, however, helped me to pull through. My husband is 13 years older than me and he is already quite decrepit. My only support is my youngest son." In order to have an opportunity to devote more time to his parents, he transferred to work in a nearby statistical bureau although his salary there is 50-70 yuan a month less than in his former job.

Liu's son says: "I am a completely independent individual. However, if a girl wants to marry me only because we have a color television, I will say to her: 'You do not suit me'."

Liu usually gets up at six o'clock in the morning, prepares breakfast and then goes to the market. She says: "Prices are rising simply furiously. How can my husband support his family when a half kilo of lentils, which previously cost 0.38 yuan, cannot be found now for 6.4 yuan?"

Her husband provides her 125 yuan from his salary; the children give 35 yuan; and the oldest grandson—50 yuan. However, we should not forget that Liu feeds a family of four people, including her 18-year-old daughter who teaches in a technical school. Liu says: "All of us grumble that food products have become too expensive. In my opinion, however, youth are to blame for this—they have begun to live too well; they want to dine on leg of mutton several times a day."

Liu often remembers how she and her neighbors dug a bomb shelter at the beginning of the Seventies in response to Chairman Mao's call to "dig deep tunnels, lay in grain for future use and do not strive for hegemony

anywhere." At that time, each family member had to make 50 "pizi" (semi-finished products made of brick). Liu says: "Since I had a large family, I had to spend more time than others on this work. Each family was responsible for its own stove. Sometimes they required us to participate in demonstrations and "marches" and shout slogans along the highway. This continued for approximately two years."

The inhabitants of Beijing's "courtyards", especially those like Liu Zhuzhin, have little interest in politics. Liu said: "I do not think about it. All that I strive for is to eat better, wear prettier clothes and live better than I lived before. What is preventing me is the increase in prices and—yes, perhaps, when the television shows female body-building."

#### **Roundtable on China's Economic Reform**

18070248 Moscow *RABOCHIY KLAS I*  
*SOVREMENNY MIR* in Russian No 1, Mar-Apr 89  
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[Discussion organized by *RABOCHIY KLAS I* *SOVREMENNY MIR* editors: "China's Experience in Economic Reform (An Analysis of the Situation)"; passages in boldface as published]

[Text] Our readers have shown great interest in various problems arising during the course of economic reform in China in the valid assumption that a comparison of our perestroika and the economic reform in the PRC might be useful in the future development of both socialist states.

In response to our readers' wishes, we invited prominent Sinologists to our editorial offices.

The participants in the discussion were Professor V.G. Gelbras, doctor of historical sciences and sector head at the Institute of the International Workers' Movement of the USSR Academy of Sciences; Professor L.P. Delyusin, doctor of historical sciences and department head at the Oriental Studies Institute of the USSR Academy of Sciences; and Candidate of Economic Sciences E.S. Kulpin, senior scientific associate at the Institute of the International Workers' Movement of the USSR Academy of Sciences. The editors of *RABOCHIY KLAS I* *SOVREMENNY MIR* were represented by Candidate of Economic Sciences Yu.S. Markhashev and G.A. Abramov.

[Editors] The Third Plenum of the 11th CCP Central Committee in December 1978 paved the way for reform. What can we say today about the significance of this party forum?

[L. Delyusin] Its decisions signalled (despite some concessions to the old ways) a resolute departure from the ideology of the "Cultural Revolution" and its political slogans, from the utopian approach to the construction

of socialism in China, a move toward realism in the choice of the means and methods of the country's socioeconomic development.

It is worth recalling that the plenum was preceded by an important ideological campaign which was carried out under the slogan "Practice is the only criterion of truth." The discussion of the role of practice in reaching the truth was not a philosophical debate; it was a reference to the "Thought of Mao Zedong," which was declared to be the absolute truth during the years of the "Cultural Revolution" and was supposed to guide the life of the country and the people forever. If we can remember the time when bowing to the will of the late leader was still compulsory for the majority of party administrative personnel, we can fully appreciate the political courage of those who dared to openly express doubts about the need to follow Mao Zedong's instructions always and in all situations and to never deviate a single iota from them.

There is a Chinese proverb that "If the river is polluted, the cleaning has to begin at the source, and not at the mouth." The source of all the misfortunes and troubles of the Chinese society, which lived through the tragedy of the "Cultural Revolution," and before this the "Great Leap Forward" and the "People's Communes," were the mistaken ideas about the ideals and nature of socialism and the methods of building it. These views were of a utopian-reactionary nature and were isolated from the objective reality of Chinese society. The "class struggle" which was declared to be a panacea, capable of curing all sociopolitical and economic ills successfully, actually turned into a form of self-inflicted erosion and the massacre of the party personnel who were able, even in the atmosphere of the cult of personality, to assess the state of affairs in the country objectively and accurately.

The decisions made in 1978 mobilized the Chinese communists for economic construction and the modernization of the economy. It was announced at the plenum that it was time to put an end to the mass political campaigns carried out under the slogans of class struggle. Stability and order were declared to be essential conditions for China's advancement toward socialism. The plenum called for the radical reform of the system of national economic management, the main defects of which were the excessive concentration of power and the replacement of economic establishments by party organs, for the reorganization of methods of economic management, and for the renunciation of anything impeding the growth of productive forces.

Plenum speakers demanded the democratization of life in the party and politics in general; because "very little democracy remains in the country," they admitted that laws, and not arbitrary commands, should serve as the legal basis for all activity.

It would be wrong to say that the specific methods and forms of economic and political reform were chosen and formulated while the plenum was in session. This, however, does not detract from the historic significance of its decisions. They revived the hope of the possibility of the Chinese nationality's social regeneration and paved the way for creative social activity by millions of people.

[Editors] When you look at the results of the economic reform in China, you wonder how the process of reform could have developed so quickly after the frightening and protracted events of the "Cultural Revolution." What made it possible?

[V. Gelbras] Above all, of course, it was people—the most active, introspective, and intelligent segment of the society. Although it had been more than 20 years since the first wave of repression, the ideas, theories, scientific schools, and currents prevailing in the country were those governing the resolution of the main problems in the construction of socialism in China from the 1930's through the 1960's. This is why the political reversal and the mass rehabilitation of party personnel, non-party members, and the intelligentsia immediately opened the floodgates for these ideas and theories. The people paving the way to the future were not simply individuals who were aware of the deadlock the "Cultural Revolution" had caused in development and who had experienced all of the grief of personal and societal losses, but leaders who had been known to the public for a long time and who expressed the people's hopes and desires.

By the end of the 1970's the people of China were in an extremely difficult position. The income of the overwhelming majority was not even equivalent to the minimum subsistence level. The colossal energy of millions of people striving to secure the possibility of their physical survival had to be given full play in autonomous action. The farmstead contract gave this opportunity to peasants, who represent, as we know, three-fourths of the employed population in the PRC.

Obviously, we must consider the fact that many of the millions of those who were repressed during the years of the "Cultural Revolution" and before it were different people when they returned to social life and production—their knowledge of the troublesome life of the people and their years of reflection on the future of their native land had made them wiser. Of course, some of them were broken, physically and emotionally, and many of them were already of advanced years when they returned. Nevertheless, it is amazing how few of them were obsessed with renouncing, exposing, or damning the past. Apparently, the centuries-old tradition of communion, affiliation, and direct participation by the literate population, especially the intelligentsia, in social administration and in seeking solutions to problems in national development and the sense of responsibility to society and the state played a role here. This position was aptly defined by Song Dynasty philosopher Fang Chunyan: "The Confucian worries about the world before the

world begins worrying about itself, and he feels happy only when all humanity is happy." Deng Xiaoping's appeal to "unite and look to the future together!" evoked a response from all segments of the intelligentsia.

It is possible that these driving forces played the main role in the initial stages of reform. Later they were strengthened considerably by the people's increasing belief in the eventual success of the reform, because the standard of living stopped declining during the first stages and this was followed by the rapid enhancement of the well-being of urban and rural laborers.

[Editors] For the sake of objectivity, we should also discuss the forces impeding or slowing down the restructuring process. Are they still having a perceptible effect?

[V. Gelbras] Without trying to provide a complete answer, I will name what I regard as the main opposing forces. In any society, as V.I. Lenin said, there are people "who do not think and who cannot think." The natural economy takes up too much room and is distinguished by incomparable conservatism, inertia, and isolation. Commercial production and a commercial market, responsible and enterprising labor, free communication, the possession of things and power—these and many other integral elements of the modern civilian society are just taking shape in China (and, incidentally, in our country). Relations based on blood or marriage ties, an emphasis on seniority, the preferential treatment of certain clients, and the historical and cultural traditions of statism and egalitarianism still exist, and they even prevail in many regions. These and other phenomena do nothing to promote reform.

It is not only the shadows of the distant past that are falling on the road of restructuring and making it bumpy and precarious. The advancement along this road is also complicated by the effects of recent actions and situations (the privileged status of the special stratum of *ganbu*, the customary inheritance of jobs in industry, etc.). The inadequate theoretical investigation of many of the cardinal problems of socialism is of absolute importance, and it grows more important each year.

[Editors] The first thing you mentioned was the people "who do not think and who cannot think." It might be helpful if you could clarify this. Are you referring to some kind of completely inert group?

[V. Gelbras] The problem is that it is not inert. It is an extremely active group, acting within the confines of circumstances of which it is empirically aware. Its actions are spontaneous and sometimes have a snowball effect. The group is relatively large and is difficult to influence. The main danger is that its motion can pull other people into its wake, and these are people who do think, and they might even be the politically active segment of the population.

In general, however, the counterbalance to restructuring takes shape as a result of the clash of currents of various sizes, spreading in various directions. The relative strength of forces for renewal and forces for conservatism changes constantly. There are also many other intermediate forces—promoting Sinocentric fundamentalism, advocating its complete or partial rejection, and so forth—operating in the political arena. For this reason, the counterbalance is not permanent either. Its movement can either ebb or seem to subside. It is only to an outsider that social life in China and its restructuring process seem to be distinguished invariably by a single quality—dynamism.

[Editors] Let us take a look at the Chinese people's actual achievements in the construction of a new society during the 40 years since the revolution of 1949. What are the main results of this development?

[V. Gelbras] We are not likely to argue about the results in general. The successes of the PRC are striking and they are obvious to everyone. The fact that they might have been even more striking if it had not been for the "Great Leap Forward" and the "Cultural Revolution" is a different matter. These campaigns have been condemned in the PRC and the colossal damage they inflicted on all aspects of life in this country is commonly acknowledged.

The main result is probably the fundamental changes in the status of the people and in the entire structure of their life. The proportional number of illiterate people over the age of 12 in the country, for example, fell from the pre-revolutionary figure of 70-80 percent to 22 percent in 1987. Hunger and malnutrition are virtually non-existent, and the well-being of the overwhelming majority of the population has improved immeasurably. There have been qualitative changes in the scale of priorities and in public consumption patterns. Today all peasants and a constantly growing group of workers and employees live under the conditions we call complete economic accountability.<sup>1</sup>

The main achievement of the last decade was the beginning of a gradual move from a society in which the individual served as an instrument for the construction of a new state and new relations to a society geared to the individual and respect for his interests, rights, and virtues. As Osip Mandelshtam put it so beautifully: "But there is another social architecture, and its measure is also the individual, but it does not build things out of the individual, but for the individual. It does not build up its own grandeur on the basis of the worthlessness of the individual, but on the highest expediency in line with his needs."

[Editors] This is the kind of social architecture the people of both our countries want, but it is clear that our economic, cultural, and historical conditions differ and

that the forms and methods of reform will also differ for this reason. First let us try to define, in general terms, the most important conditions of the economic reform in the PRC.

[V. Gelbras] In my opinion, the following factors warrant special consideration. First, the reform began in politics, and not in agriculture, as people in our country frequently allege. Until the active organizers and promoters of the "Cultural Revolution" had been removed from the political arena, there was no point in even thinking about economic reform. As we know, the process of socialist renewal in our country also began with a change in the composition of the political leadership. This process should be intensified by the reform of the political system. This means that this kind of reform is one of the decisive conditions of all restructuring, and perhaps the main condition. The experience of the PRC proves that political reform is a long and complicated process. It depends on economic reform but it simultaneously serves as a condition for this reform. The next step following the institution of the farmstead contract, for example, was political reconstruction in rural areas. By the end of 1984 the "people's communes" had been liquidated, and rural districts—smaller administrative units than before—had been created. They were headed by people's governments. Finally, committees of rural inhabitants were formed and were given control over the primary means of production—the land.

Second, one of the most important features of the economic reform in the PRC is the merger of mass social movements with something like a revolution "from above." The widespread use of the farmstead contract in rural areas is one of the most convincing and vivid examples of this kind of movement.

Movements "on the lowest levels" do not take place along the entire front of reorganization and are not sudden or simultaneous. Their appearance, differentiation, and development are not simply a reaction to changes in the external conditions of human existence. These movements have their own causes and their own laws and tendencies of development. In our country, in contrast to the PRC, they began in the political and moral spheres rather than in the economic sphere. Their development is uneven in different regions. This is apparently completely natural and unavoidable in all countries. Something else is more important: No revolution "from above" can be quick and successful without action by the general public.

Third, in the PRC and in our country, reform takes place under the specific conditions of excessive government control in all spheres of social life. These excesses are reflected in the superiority of the executive branch to the legislative branch, in the unification or, more precisely, merger of power and property, in the effective impossibility of controlling the power structure, and in its lack of a sense of responsibility to the society. It is therefore

understandable that the restoration of normal relations between the society and the state was one of the first requirements of reorganization in the PRC and in the USSR.

[Editors] We would like to focus attention on this issue.

[E. Kulpin] The PRC's most fundamental achievement in recent years was the change in the analytical approach to relations between the society and the state. As the history of our two countries demonstrates, one of the first results of a negative solution to the problem of "the state for society or society for the state" is the political and economic inequality of the main social classes and the numerous social strata and population groups.

A number of studies conducted in past years at the Institute of the International Workers' Movement of the USSR Academy of Sciences proved that the implementation of the imperative of "society for the state" in the PRC gave rise to many negative processes and developments. The political reforms of recent years were the prerequisite for economic reform.

The reform in Chinese rural areas was not purely economic either, because the goal was the restoration of normal political relations between the working class and the peasantry and the abandonment of the old social-production organization of the rural community.

[Editors] Apparently, this kind of normality is also one of the universal laws of socialist construction, and even during periods of radical reform.

[E. Kulpin] Yes, this is corroborated by all of our national historical experience. We should recall what V.I. Lenin said. He stressed that, in the first place, the socialist state should promote the development of natural and normal economic relations between urban and rural areas and between the working class and the peasantry and that it should be a state for the society, and not vice versa. In Lenin's opinion, it was the proletariat, and not the state, that would control industry and help the peasantry acquire the means of making a living. In the second place, the normal socialist society presupposes a balanced economy. In the third place, the balancing mechanism is controlled by the proletariat and is located in urban areas and in industry. In the fourth place, Lenin was certain that in response to the urban population's initiative in correcting shortages of consumer goods, tools, and means of production for rural areas, the peasants would almost automatically correct shortages of food and raw material for industry. In the fifth place, even though unequal relations between classes are possible in a normal socialist society, they are always, in contrast to capitalism, to the advantage of rural areas. In the sixth place, socialism is not a society of poor people, at least not a society with a poor peasantry.

[Editors] It would be best now to take a look at the results of reform in Chinese rural areas. How significant were they? What kind of fundamental changes can we see today in PRC agriculture?

[E. Kulpin] Today we can draw a few preliminary but fundamentally important conclusions. The reforms in Chinese rural areas were of a truly revolutionary nature. It was this revolutionary nature that secured the success of the entire Chinese economic reform. The liquidation of the "rural communes" signified a complete break with earlier production relations and even with sociopolitical and socioeconomic relations in rural areas. The rural laborer, regardless of the nature and place of his employment, his occupation, or his job, was essentially a hired laborer in the commune system, a "cog in the machine," with little or no interest in the final results of his labor. When the contract system was instituted, he became the independent proprietor of his workplace. The peasant's standard of living now depends directly on the results of his own efforts.

The reforms were revolutionary not only because they freed the common peasant from the fetters of the authoritarian-bureaucratic mechanism and created the necessary conditions to release his spiritual and physical potential and develop his creativity. The reforms took the rural bureaucrat out of activity with little or no economic value. The largest segment of the Chinese bureaucracy consisted of designated rural workers—the ganbu of brigades, large production brigades, and communes. This stratum was the backbone of economically inefficient production. The rural ganbu were not directly involved in producing anything. They simply distributed the product, deciding how much should go to the state, how much to the collective, and how much to each member. Now they are producing goods. The functionaries who once disposed of the collective property and manpower of the communes at their own discretion no longer have a chance to do this.

Their role and functions changed. In the past the ganbu were the literate people in a semi-literate rural community, and some of them had specialized agricultural knowledge. This helped many ganbu get rich and become the first producers of commercial goods in Chinese rural areas. The farmyards of the ganbu played an important role, and perhaps even the decisive role, in the elimination of the acute shortages of food, raw materials for industry, and many other items.

[Editors] Now we have arrived at the main point. To some extent, the peasants are more dependent, and not less, on external conditions. The move to full economic accountability suddenly increased the significance of prices, wholesale and retail trade, the agroindustrial and transportation-trade infrastructure, a knowledge of agricultural technology, and other knowledge in the life of the peasant. In China all of this is defined succinctly in just three words—policy, science, technology. How is the rural structure reacting to all of this?

[V. Gelbras] I think it is too early to speak of the complete transformation of the status and role of the rural ganbu. They are still performing the same functions in distribution and redistribution. These functions will exist as long as the purchase prices of several major agricultural products are too low. The rural ganbu now distribute state assignments for the production of vitally important products, especially grain and cotton, which are unprofitable for peasants. The Chinese press has reported that the ganbu frequently perform these functions in the same old way—by means of coercion and authoritarianism—and that they are illegally (or prematurely) revising contracts, etc. This has a negative impact. This situation does not differ in principle from our own, except that the Chinese peasant has the law and party policy, and not just common political precepts, on his side.

Furthermore, the ganbu and the peasants, just as other groups of the Chinese laboring public, have different chances of success in the use of the opportunities the market presents. Extensive contacts, a knowledge of market conditions, and power—these and other circumstances (owning a telephone, for example) give the ganbu a much broader range of motives for economic initiative and a stronger hope of success, even in illegal activity.

[E. Kulpin] In their efforts to restore normal relations between the two main social classes, the CCP leaders are denying that poverty is a principle of socialism. Deng Xiaoping has repeatedly and vehemently criticized the theory of "socialist poverty" the "gang of four" preached. To eliminate the common poverty of the population, the country's leaders first changed the balance between accumulation and consumption in national income in favor of consumption, and between heavy and light industry in favor of light industry. The purchase prices of agricultural products were raised. These actions could be interpreted as the leadership's attempt to place the state at the service of society.

[Editors] Now we should turn to the present phase of the economic reform. Have the aims or methods of implementation changed? What are the reasons for current difficulties? What are the distinctive features of this phase?

[L. Delyusin] Today, just as yesterday, the aim of all reforms in urban and rural areas is the revitalization of the national economy and the enhancement of its effectiveness. The move to new forms of management will not take place immediately. Old forms still exist. The move from centralized planning to the market mechanism is also being resisted by the bureaucracy.

Many Chinese economists see the reason for current difficulties in the defects of the market mechanism and the inadequate development of commodity and money relations. In their opinion, no administrative measures can replace the functions of the market mechanism. Su Shaozhi and Wang Yizhou, for example, wrote: "The

experience of our country in recent years has corroborated that, without a healthy market mechanism to secure competition, it is difficult for the state to give up administrative intervention in economic affairs, and it is difficult for enterprises and managers to develop their own potential and surmount subjectivism and bureaucratism." Without completely rejecting planned regulation, these prominent economists believe that the absence of a market mechanism could give planning a voluntaristic and subjectivist nature.

The idea that "the state regulates the market, and the market determines the work of enterprises" was stated at the 13th CCP Congress. This idea has been implemented in various forms, depending on the specific conditions of the activity of a particular enterprise. In general, everyone agrees that the contract system can enhance the economic effectiveness of the country's factories and plants considerably, especially the small and medium-sized ones. Opinions diverge, however, when the conversation turns to large enterprises. Several economists defend the principle of the centralized state management of enterprises of national economic significance. Others argue that the contract system is effective in this sphere.

Some Chinese economists regard leasing as the most progressive and most effective form. A person who leases an industrial or trade enterprise from the state gains the authority to manage the enterprise independently of party and state agencies, but he is completely responsible for the operations of the leased enterprise and covers losses out of his own pocket. Party personnel with ultra-leftist views and workers who have grown accustomed to wage leveling see the lessees as a new type of exploiter, as "capitalists without capital," and feel that their personal income is too high. The enterprise leaseholders themselves also feel that their high income might be illegal and are afraid to invest money in the business. They are more likely to distribute the money to subordinates or spend it on gifts for their workers and employees or for the personnel of government and party agencies.

Although the official press quite definitely described the operations of these entrepreneurs as socialist activity, party personnel and workers still tend to think that leasing an enterprise is nothing other than a "relapse into capitalism." The opponents of reform believe that leased enterprises and personally or privately owned enterprises are of a capitalist nature and that their existence is violating the "purity" of the socialist order.

Some Chinese economists have suggested the more extensive use of the joint-stock company in the belief that the sale of stock to enterprise workers and employees will give them a proprietary sense and a sense of responsibility for production growth and for product quality. The opponents of this form, on the other hand, say that the holders of stock will turn into capitalists with unearned income and that the enterprises will lose their socialist nature.

The decisions of the 13th CCP Congress said that the joint-stock form of ownership is not contrary to the principles of socialism and that it should be encouraged because it helps to mobilize the money the population spends on consumption for economic development. The transfer to the joint-stock form would present a new solution to the problem of separating rights of ownership from rights of management. This issue is now being debated earnestly by Chinese communists. In the opinion of the majority, the functions of government agencies and the rights of enterprise managers and work crews should be sharply delineated, ownership rights should be separated from management rights, and taxes paid to the state should be separate from enterprise profits.

[Editors] Apparently, the economic reform solved several fundamental problems but gave rise to many new, equally complex problems.

[L. Delyusin] Yes, Chinese economists are fully aware of this. They also believe, however, that China could not have surmounted its economic underdevelopment successfully and retained the possibility of development along the socialist road without the reform. As Zhao Ziyang said, "without the reform, China would have no passport to the outside world."

The reform was intensified mainly to improve the mechanism of intra-plant management and surmount the "big common cauldron" mentality. Each enterprise must operate with a view to the market and to government plans drawn up on the macrolevel. It should remain a state enterprise: It is the property of either the central government or local agencies; the enterprise should be completely under the control of the owner of the property (or capital) created at the enterprise and be fully empowered to distribute profits.

[V. Gelbras] Here is one example of how economic achievements give rise to new problems and contradictions. The PRC does not have the problem of choosing between "speed or reform," a problem some of our economists are discussing in relation to the USSR. We do have to make this choice, but for the PRC any "either-or" situation is inapplicable: Reform is possible only at an impressive rate of economic development. This is easy to explain. The absolute number of Chinese is so high and the annual increase in population is so great that consistent advancement is impossible without a high rate of economic growth. It has been calculated, for example, that the addition of just two chicken eggs (an inexpensive commodity) to the daily diet of each individual would absorb the entire annual increase in national income.

[Editors] What are the factors determining the high rate of economic growth in the PRC in recent years?

[V. Gelbras] There is a group of factors at work here. The decisive role was played by central and local government investment and investment by the peasants themselves. State investments in the last 5 years have represented more than 65 percent of all investments in fixed capital in the country, and the investments of peasant farms have represented around 20 percent of the total.

Therefore, the difference between state and peasant investments is quite sizable, just as the investments of central and local governments differ in terms of structure. Before I move on to a detailed examination of these, I must say that state expenditures in all these years have been far in excess of the country's economic capabilities. This was one of the main reasons why money was issued on an excessive scale, resulting in a high rate of inflation: At the end of the third quarter of 1988 the volume of industrial production was equivalent to 149 percent of the figure for 1985, the last year of the Sixth 5-Year Plan, but the total amount of money in circulation was equivalent to 214 percent of that year's figure.

The rise in prices was also promoted by enterprises, especially the state enterprises dominating the market. The expansion of autonomy and the possibility of establishing contract prices and using market prices made it easier for them to increase their profits not by enhancing production efficiency, but by raising prices. Under these conditions, rising prices in all spheres of the economy formed a single spiral and escalated its upward progression. A rise in prices at one end soon tightened the entire spiral.

The Third Plenum of the 13th CCP Central Committee (in 1988) took these conditions into account and decided that economic policy in 1989 and 1990 should focus on the stabilization of the situation and the restoration of order.

As I already said, the excessive rise in prices is the most perceptible of the current group of difficulties and problems. This is why reducing supply and demand and curbing inflation were announced as the chief ways of stabilizing the economy. The restoration of order in the economy presupposes the elimination of the anarchic developments in national economic operations, especially in the sphere of distribution.

[Editors] To what degree is the specific economic situation in the PRC at the beginning of 1989 of theoretical or practical interest to us?

[V. Gelbras] It is of considerable interest in many respects. For instance, the problems impeding the restoration of the complete authority of soviets are being discussed widely in our country. Many proposals have been made regarding the establishment of a sound economic base for them, but almost nothing has been said about the nature of their future economic activity and

the means of coordinating it on the regional and national levels. The experience of China testifies, however, that this is an extremely complicated matter.

We should recall that local government agencies in the PRC always had considerable economic autonomy and an industrial and agricultural base. As a result, the revenues of the central government represented 21 percent of state budget income in 1984, while local revenues represented 79 percent. The ratio in 1982 was 23:77, and in 1983 it was 30:70. In the expenditure portion of the budget the situation changed slightly in favor of the central government: Expenditures were divided approximately in half between central and local agencies during all of these years. The central government secured the redistribution of funds among the most developed and underdeveloped regions and has borne most of the responsibility for financing statewide programs. This seems natural: Who else but the central government should manage these programs?

The problem arose when local government agencies began to compete with one another (covertly in most cases) and essentially began a race for higher rates of economic growth. This gave them an interest in developing primarily the fields of production with low capital requirements. These were processing enterprises with a relatively short construction cycle and a rapid return on investments. In addition, they began working on a variety of prestigious projects—the construction of luxury hotels, administrative buildings, etc. In essence, the problem was the lack of a mechanism for the coordination of the economic operations, especially investments, on the central and regional levels and for the deterrence of spontaneous or snowballing processes in the national economy, especially since imbalances had been reduced but not eliminated.

In order to implement the decisions of the last party plenum, the PRC State Council called for dramatic cuts in capital construction, especially in the case of projects with no production functions. It was learned that local government agencies did not always adhere to the spirit and letter of central directives. For this reason, the PRC State Council had to arrange for inspections of new construction projects and to monitor the postponement of projects or deceleration of capital construction.

The next problem is also connected with the work of local government agencies. After embarking on their own entrepreneurial activity, they established many companies, which became something like an extension of government in the economic sphere. Although the number of these companies was supposed to be reduced, they were actually engaged in the resale of means of production, the administrative patronage of enterprises, and the confiscation and concentration of much of their income. All of this naturally impeded the development of local economic contacts and circulation. Some party and government officials, including those on high levels, began taking an active part in entrepreneurial activity in

spite of existing prohibitions, became members of company boards, and occupied various honorary positions. Others simply became corrupt. Larceny, corruption, speculation, and other such forms of behavior became quite common.

After the Third CCP Central Committee Plenum the PRC State Council prohibited the establishment of companies of an "administrative nature." All existing organizations of this kind were supposed to be liquidated without delay. The ban on the occupation of managerial, including honorary, positions in companies by party and state personnel was reaffirmed. The ban extended to those who had retired or were planning to retire. Inspections to verify the income of administrative personnel were conducted on the local level. Some of them resigned from their positions in economic organizations voluntarily.

For a long time the CCP Central Committee and PRC Government have been concerned about the excessive scales and rapid growth of administrative economic expenditures. Even at a time of economic reform the bureaucracy finds loopholes, or simply creates them, to satisfy its own selfish interests and illegal claims. In this respect, many of its features are truly international and its actions are distinguished by a common banality. Central government agencies hoped to cut administrative economic expenditures by 20 percent in 1988, but during the year these expenditures actually increased by 20 percent. In line with the decisions of the CCP Central Committee plenum, the PRC State Council formed a special group for the verification, analysis, and reduction of administrative economic expenditures.

Therefore, the experience of the PRC testifies that the expansion of the economic autonomy of local government agencies and their independent economic activity is good for the society. To keep this good development from turning into its opposite, however, an effective mechanism has to be created for the reconciliation of statewide and regional interests. We must not only create this kind of mechanism and establish a form of organization suitable for the new political and economic conditions, but also learn to use them.

[Editors] The absence of a balanced economy is one of the main factors complicating the accomplishment of socioeconomic reforms in the socialist countries. What can you say about this problem in light of your analysis of the Chinese experience?

[V. Gelbras] In my opinion, the significance of the policy of "regulation" proclaimed in the PRC in 1988 has still not been studied adequately and is not fully appreciated. The reasons for its early curtailment have not been revealed.

We should recall that for several years the PRC made sharp cuts in state capital investments in group "A" and encouraged the development of group "B." The institution of the farmstead contract helped in the dramatic augmentation of the agricultural product. Budget imbalances were reduced. The market in China literally flourished. The growth of group "A" is to be slowed down again in 1989 and 1990 (with the exception of the fuel and energy complex and the branches producing the means of production for agriculture), and priority is to be assigned to the quicker growth of group "B" and agriculture. Experience testifies that economic imbalances must be corrected. They are fundamentally incompatible with economic reform.

Here is another conclusion of practical value to us. Economic reform does not in any sense signify the inevitability of the government's complete and immediate abandonment of coercive and authoritarian measures in the economy, especially during the period of transition from the old to the new economic mechanism.

The merger of power and property in the PRC created a situation in which local government agencies and departments began to turn credit operations into what one Chinese specialist eloquently termed a "second budget." Large sums were confiscated from the personal funds of state enterprises. The PRC State Council issued a special decree to prohibit these illegal actions by local authorities and departments. The Law on State Enterprises, which has been in force since 1 August 1988, protected their right to their own funds and allowed them to refuse to carry out any production assignments without secured physical resources and sales markets.

Time will tell whether these measures will be effective and whether the activity of local and departmental authorities can be curbed. At this time the Chinese press is simply saying that the implementation of CCP Central Committee plenum decisions is being impeded by the shameful practice described in what has now become a catchword: "Policy at the highest level, counterpolicy at the lowest." In any case, the speedy and radical reaction of the CCP Central Committee and the PRC State Council to any change in the situation is noteworthy.

[Editors] It is clear that these measures are intended to alleviate the contradiction between total public demand and supply. There is another problem in this complex. Our analysis has already approached an investigation of peasant investment activity several times. It seems that the time has come to discuss it in detail. After all, judging by available data, the combined capital investments of individual peasants constitute a sum approximately equivalent to the entire volume of bank credit and at least one-third of total capital investments in personal resources and other internal investments in fixed capital.

[V. Gelbras] The capital investments of peasants have their own distinctive features. For a long time most of this capital was invested in housing construction. Rural

per capita expenditures of this kind increased tenfold in the 10 years following 1978. We must say that the Chinese peasant has learned from experience that dwellings are the most reliable form of property because no one will take them away under any circumstances. Each new residential building is better, more attractive, and taller than the one before. As a result, there have been radical changes in rural housing.

Combining their resources in a variety of ways, peasants had financed the construction of over 15 million enterprises in rural areas by 1987, and most of them were non-agricultural. They employ 85 million people. Their combined capital has already reached 200 billion yuan. This figure is twice as high as total state capital investments in agriculture between 1953 and 1986. Peasants, however, began investing too little in agriculture, especially in farming.

In other words, the peasantry also played a part in increasing the demand for not "purely" agricultural means of production and exacerbating the shortage of electrical power and fuel. Besides this, the attempts to process agricultural raw materials locally and to sell the cities semimanufactured goods and finished products compounded the shortage of these raw materials in urban industry. This was the beginning of what the Chinese refer to metaphorically as the "cotton wars," "wool wars," etc.

From 1985 through 1988 agriculture was never able to reach the same level as in 1984, the year of the largest harvests of grain, cotton, and some other crops.

[Editors] What happened? After all, the farmstead contract led to the extremely rapid growth of agricultural production. How did it fail to solve the problems of the peasantry?

[V. Gelbras] The rapid growth of agricultural production after the transfer to the farmstead contract gave rise to a sense of euphoria. According to some Chinese authors, some people in the country even began to believe that the farmstead contract would eliminate all agrarian problems within the next 10 years or so. The state even reduced capital investments in agriculture, and local government agencies made particularly sizable cuts in these expenditures.

[Editors] Of course, exaggerated expectations and some mistaken beliefs about the potential of the contract and of leasing in agriculture also exist in our country. According to some people, if all rural labor were to be employed on the basis of contracts or leases, this would be enough to revitalize the peasantry and solve all food problems.

[V. Gelbras] There is no question that the situation is much more complicated. China's experience clearly indicates that the contract is a good and necessary thing, but it is not enough. The terms and conditions of contracts

are of fundamental importance. The peasant needs to be completely certain of the stability and duration of agrarian policy. It has changed too often and for no good reason. The original contracts in the PRC were for 3-5 years. They motivated the peasant to take the maximum from the land, but later.... Contracts were later concluded for longer terms, but Chinese specialists gradually arrived at the conclusion that periods of specific length would not give the peasant a proprietary sense. Open-ended agreements are necessary.

The peasant needs definite and reliable contract relations. If he is obligated to sell his products to the state, his earnings should not merely cover his expenditures but should also serve as a sound basis for expanded reproduction. If the state promises that the peasant who sells agricultural products will be supplied with chemical fertilizers and liquid fuel and will be extended credit until the harvest is gathered, these obligations must be fulfilled unconditionally, and the quality of manufactured goods must be guaranteed. The peasantry, just as the rest of the society, needs roads, storage facilities, refrigeration facilities, and processing enterprises. Nothing productive will be accomplished until solutions to the problems of the agroindustrial and transportation-trade complex are coordinated.

[Editors] Apparently, it is still impossible to institute open-ended contract relations in the PRC. The total area of farmland is too small in comparison to the size of the rural population, and too many peasants have no other means of subsistence but a contracted plot. This is why the area of these plots cannot provide all able-bodied individuals with work or permit the organization of commercial production there. Is there a solution?

[V. Gelbras] The CCP has been aware of this problem for a long time and has asked the peasants to gradually work toward the concentration of land under the control of those who gather the largest harvests. A public survey conducted in 1987 by the agrarian research centers of the CCP Central Committee and PRC State Council indicated that the average contracted plot had increased in size from 0.59 hectares to 0.61 hectares between 1984 and 1986. It was less fragmented: In the first of these years it consisted of 10.7 different parcels, and in the second it consisted of 9.37; the average area of each increased slightly—to 0.065 hectares instead of 0.058. During this period the area of the contracted lands turned over by some farmsteads to others with subcontracting rights increased from 1.41 percent of total arable land to 3.57 percent. In other words, the concentration of land has begun, but it is still not the prevailing tendency in the farmstead contract system.

The survey also indicated that around 69 percent of the peasant farmsteads had land allotments of less than 0.67 hectares and that these accounted for more than 35 percent of all arable land. Over 25 percent of the farmsteads had allotments of 0.67 to 2 hectares, and these constituted almost 42 percent of all such land.

Larger plots of land, representing more than 23 percent of the total, have been awarded by contract to 4.2 percent of the farmsteads. At this time these differences reflect primarily the differing fertility of land and differing levels of population density in different parts of the country.

Farming areas in China are small in relation to the size of the population, and far from all peasant farms are commercial. More than 12 percent of the peasant farmsteads do not sell agricultural products or the products of ancillary crafts.

It is understandable that farmstead contracts include an obligation to sustain the productivity of land. Farmsteads are rewarded for an increase in fertility and fined for a decrease.

[Editors] How can the Chinese peasant be given an incentive to engage in commercial activity? As the Chinese Communist Party announced, this is one of the central objectives in the construction of socialism in the country.

[V. Gelbras] This is one of the most complicated matters. Let us take a look at its different elements. First of all, we should consider the interests and needs of the Chinese society as a whole. Throughout the 1980's the enhancement of public well-being, including the consumption of agricultural products, has surpassed the growth of production. The consumption of meat, poultry, eggs, and fish, for example, increased by 10 percent each year after 1983.

The shortage of cultivated land, representing only 0.1 hectare per capita, the tremendous consumer pressure on today's relatively modest resources (due to the weakness of the material and technical base of agriculture), and the limited potential (also due to many objective factors) for the use of modern achievements in agricultural technology and seed breeding in agriculture—these and other factors are keeping this sector from securing high rates of increase in public consumption. The wage supplements instituted in 1979 for workers and employees in connection with the rise in retail prices (this is what several Soviet economists have suggested as the solution to some of our problems), however, actually stimulated the growth of consumption. The total amount of these supplements has increased from just over 8 billion yuan to 30 billion. As a result, workers and employees are paying only half the price of grain, for example, while the other half is covered by the supplements. For this reason, some Chinese economists have suggested that wages be tied to the retail price index.

The next element is the peasantry's own interests and needs. The strong peasant movement with its common interests and demands during the period of transition to the farmstead contract later broke up into several separate currents. One is a patriarchal-conservative current. Its social base consists of the massive stratum of the

natural order. There is still a food shortage in remote areas, in outlying districts, and in the mountains. The central government has drawn up a special long-range program of economic development for poor and backward territories.

[E. Kulpin] The peasants employed in the natural economy are distinguished by a low level of demand. Its satisfaction ends the peasant's efforts to expand production.

[V. Gelbras] One current consists mainly of peasant laborers with a small surplus product and sporadic contacts with the market. This segment of the peasantry has solved the problem of simple reproduction but cannot always manage expanded reproduction. One of the main concerns of these peasants is the search for additional earnings and for jobs for family members outside the home. Another current close to this one (but nevertheless separate) could be termed the urban-worker current. It consists of peasants who have left the countryside in search of jobs in urban settlements and small and large cities. The conditions of their work (usually in the non-agricultural sphere) and life are the main concerns of these migrants. According to the previously mentioned survey, 12.3 percent of the able-bodied rural population found jobs outside agriculture, and 17 percent of these work in large and medium-sized cities while 38 percent work in small urban settlements. In view of the fact that approximately 7 percent of the 15 million enterprises where most of yesterday's peasants work undergo financial ruin each year, it is easy to imagine the kind of problems they have.

Peasant laborers producing goods for sale on the market formed a special current. They are drawn to the cities and to the latest achievements in agricultural technology and culture in general. The proportional number of these peasants varies widely in different parts of the country. They represent a fairly high percentage of the peasants in the suburbs and the coastal provinces and a low percentage in the heartland.

One current represents the interests of small businessmen from the peasantry. At the end of 1987 more than 10.3 million such farmsteads employed 16.7 million people in rural areas. Most of these peasants are engaged in individual labor outside agriculture—trade, crafts, and services. They are members of an autonomous nationwide association protecting their rights and interests.

Finally, there is a current of private entrepreneurs from peasant families. They are still few in number and have just begun forming an autonomous association which has no national center as yet. The distinctive interests of this population group, however, are now being acknowledged. Their influence far surpasses their numbers, because they are engaged in the mass production of goods and provide many peasants with jobs. At the end of 1987 there were 115,000 private enterprises in China,

and 80 percent of them were operating in rural areas. They employed more than 3.6 million people, and 83.4 percent of these hired workers were peasants.

[Editors] How has the differentiation of the economic interests of peasants affected them and the rest of the society?

[V. Gelbras] This differentiation is a serious cause of changes in the entire structure of the social interests and needs of the Chinese society, changes which are giving the development of the national economy and the market unprecedented dynamism. The result has been a qualitative change in the country's consistent progression.

As far as current economic processes are concerned, it is important that the Chinese peasantry has begun to display its own demand for agricultural products. It is comparable in volume to urban demand and to the demand for non-agricultural raw materials and means of production.

The fact that only part of the peasantry can steadily produce a commercial product is due to what K. Marx called the "accidental monopoly." It comes into being for the buyer or seller as a result of an accidental correlation of supply and demand. I am firmly convinced that this phenomenon requires the closest scrutiny because it also occurs in our national economy and has never been fully investigated yet.

[Editors] Abrupt changes in market conditions can have a substantial effect on the financial status of peasants and urbanites and on the entire society. Do you know of any means of "combating" this phenomenon?

[V. Gelbras] The solution is to get rid of all of the accumulated thrombi and to create a circulatory system capable of carrying momentary overflows of capital and of material and human resources quickly and safely into the sphere of consumer goods production. Until this system exists, peasants and urbanites will have no financial incentive to invest capital in agriculture and no free choice in the application of their own resources and strength. The "accidental monopoly" will continue to be a frightening event in their life. Its prevention and neutralization would necessitate the creation of a state-controlled rapid response system, a particularly sensitive organism for national and regional economic regulation.

[Editors] Another matter warranting special consideration (although we have mentioned it several times already) is pricing policy and prices in general. What does China's experience tell us?

[V. Gelbras] The development of the market and of commodity-money relations exacerbated this already complex problem. I am speaking of the entire system of prices—the purchase prices of agricultural products and the wholesale and retail prices of manufactured goods.

The purchase prices of many types of agricultural products are still too low in relation to expenditures of labor, fertilizer, and other means of production. According to the results of a sample survey, the net income from farming per worker in 1986 was 92, 267, and 141 yuan less respectively than net income per worker in forestry, animal husbandry, and fishing. Farming has become unprofitable for many peasants.

To satisfy the demand of cities and industry for farming products, the state instituted a contract system. It prohibited the purchase of certain agricultural products by organizations (with the exception of state enterprises) and individuals. Product sales assignments became part of the contract again. Reciprocal deliveries of chemical fertilizers and liquid fuel, however, were not always made. They were either used by local government agencies at their own discretion or became the object of speculation, fraud, and extortion.

The prices of the means of production for agriculture rose perceptibly in recent years. Between 1985 and 1987, for example, the prices of chemical fertilizers rose by 13.8 percent a year on the average, but the grain price index rose only 9 percent. The price of cotton, on the other hand, decreased by 3 percent a year. The overhead costs of agricultural production naturally rose. In addition, the contracted purchase prices of grain, sugar-yielding plants, fruit, and vegetables were much lower than market prices.

[Editors] Agriculture's current problems are apparently due less to the situation in this sector than to the state of affairs in the entire national economy. As a result, there was an urgent need not only for price reform and the improvement of the market mechanism, but also for improvement in the entire mechanism of macroregulation—on the national economic and regional levels. How is this problem being addressed in China?

[L. Delyusin] Strictly speaking, scientists and political leaders in the country have felt concerned for a long time, but feeling concerned is a different matter from solving the problem. Attempts to regulate prices and to bring them in line with the law of value were made several times in the last decade. The purchase prices of grain and other agricultural products were raised and the prices of goods in high demand were controlled. Nevertheless, market prices escaped the control of government agencies more and more as commodity-money relations developed. As we have already said, prices have recently turned into a particularly urgent problem.

Chinese economists feel that the reasons for the rise in prices were the issuance of excessive amounts of money, the excessive expansion of capital construction, and the increased purchasing power of some population groups. In general, however, all of these causes boiled down to a single factor: the violation of the law of value, reflected in the lack of correspondence between state prices and production costs. The need for an immediate solution to

the problem of prices was dictated by the rising prices of meat, vegetables, and other products. The benefits the peasants, and also workers and employees, derived from the economic reform were almost nullified by rising prices. The income of the laboring public actually decreased, and for some population groups with a strictly fixed income the rising prices signified a decline in financial status. This could not fail to create the objective conditions for social tension. The rising prices also undermined the faith in reform and gave rise to doubts about the need for reform and the validity of CCP policy.

In addition, the rising prices provided the opponents of reform with strong arguments in support of the allegation that things had gone too far. The urgent need for price reform is acknowledged by everyone. There are almost no differences of opinion on this score. Debates focus on the proper timing of this reform so that the majority of the laboring public will not be at a disadvantage. The problem is also compounded by a psychological factor—for many years the Chinese were accustomed to unchanging prices. For this reason, any price increase is regarded as something undermining the foundation of the society and as the result of the faulty reasoning of a government with no concern for the interests of consumers.

[Editors] Therefore, we can understand why some Chinese economists see no other solution than strict price controls and a freeze on prices at their current level.

[L. Delyusin] This is one extreme. The other is the proposal that all price controls be eliminated and that prices be left completely free. The advocates of this approach argue that the law of value will eventually cause the prices of goods to correspond to this law, with a view to supply and demand. If part of the population suffers, then this will have to be accepted. Finally, another point of view is that the rise in prices is necessary because there is no other way of securing the further intensification of economic reform, and any solution to the price problem must be coordinated with wage reform and conducted at the same time. Some Chinese economists regard this as the correct method because it is based on a comprehensive approach. In the opinion of Vice President Liu Guoguang of the Chinese Academy of Social Sciences, the situation resulting from the rise in prices can be corrected by improving the market mechanism, reorganizing the production structure, and enhancing the effectiveness of production.

[Editors] The economic reform in the PRC is still going on. Its distinctive features are constant investigation and rapid transitions from the disclosure of problems to ideas for their resolution, from ideas to massive experiments, and from experiments to the incorporation of positive experience everywhere. Do you see anything special about the current phase?

[E. Kulpin] I would call it a "transition within a transition." After all, what is a radical reform if not a transition from one socioeconomic and sociopolitical macrosystem to another? The new system must be based on non-traditional theories of development. It functions in a different way and this calls for different systems and coordinates of thinking and management. The transition from the planned directive economy to the planned commercial economy in the socialist society which has accomplished much in the formal collectivization of the means of production is a transition from the known to the unknown. What should the planned commercial economy be? Neither in theory nor in practice do we have an answer to this question.

Reforms in the socialist countries of Europe have been confined thus far to the greater or lesser allowance of market relations, but no one has ever dared to touch the "sacred cows." These are the obligatory elements of universal employment and the continued existence of all state enterprises, including those operating at a loss. No one has ever questioned the bans on the transfer of state property of any significance to private control, on the part-time employment of a small labor force (of up to 10 people, for example), etc.

Until recently our Chinese colleagues had a chance to emulate the experience of reforms in Yugoslavia, Hungary, Poland, and the USSR. Now, however, the PRC is on the same level as these countries in terms of problems, investigations, and solutions. Past experience provides no answers to new questions, and the number of these is rising each day. It is impossible to advance without risk. It is no coincidence that Deng Xiaoping said that the reform was entering the risk phase. China had encountered the need to elaborate a risk strategy, and it is elaborating it and implementing it.

[Editors] Any country carrying out a radical economic reform has to define the scales of permissible risk. After all, even if it chooses the right means and methods, it will not necessarily experience instantaneous positive results. What do China's 10 years of experience tell us?

[E. Kulpin] During the first stage of the reform the PRC leadership embarked boldly on revolutionary changes in rural areas. Positive results were quick and perceptible. As for reforms in the cities and in large-scale industry, the strategy chosen here was one of gradual transformation, or what the Chinese called "using stepping stones to cross the river." This more cautious strategy has its advantages and disadvantages. One advantage is that it involves less risk. A disadvantage is the simultaneous action of elements of the old and new economic systems and of mutually exclusive factors. This leaves room for serious negative developments.

A change in prices under the conditions of an inherited irrational pricing system, for example, causes prices to move in a single direction—upward. The move from wage leveling to wages based on the actual results of

labor is made at a time of the continuing existence of elements of unfair distribution. The shortage of highly skilled personnel exists along with a growing personnel surplus in administration and at enterprises stimulated by the effects of the old system. There is an acute shortage of resources, but warehouses are still packed to the rafters with scarce materials. In spite of the shortage of financial resources, some funds are not utilized at all or are utilized to little or no economic advantage. One of the results of the "coexistence" of the two systems is the tendency of some people to feed parasitically off the shortages. There is a rise in the economic crime rate—abuses of professional status, corruption, bribery, and speculation in consumer goods and the means of production.

The present phase in PRC economic affairs is distinctive not only because of the simultaneous effects of elements of the two systems but also because the limits of the known consequences of various effects and of changes in general have already been reached. How can further advancement be accomplished, or, more precisely, what will the results of a specific socioeconomic policy be? This is still unknown. Under these conditions, the establishment of new forms and precepts is less important than experimentation within the confines of specific processes. A situation in which priorities, goals, and guidelines are definite while their actual effects and consequences are indefinite creates a specific sociopolitical and sociopsychological atmosphere in the society.

[Editors] Are you saying that slower processes of economic reform are possible?

[E. Kulpin] It will take some time to deal with problems of a higher level than those solved in the last decade. At first, for example, it seemed to be enough to simply combine the peasant with the land—the most highly productive machine, as K. Marx called it—on the basis of a contract or, in essence, a lease. This reduced the number of peasants living below the poverty level to a fraction of the previous figure.

The factors at work in past years were connected with the permission and development of market relations—i.e., a reserve which turned out to be negligible given the level of productive forces. Now the growth of these forces is more necessary than ever before, but it is being blocked by a variety of obstacles—from purely technical to sociopsychological ones. Now the momentum for development must come from the cities instead of rural areas. This will require the same methods as in rural areas—changes in social and production organization and more effective work by people and machines. Obviously, this will be incomparably more difficult than in rural areas.

In the cities, for example, it will be impossible to simply dismiss all bureaucratic functionaries from their jobs, but the reduction of the bureaucracy and the modification of its structure—and, what is most important, of its

functions—can and must be accomplished. It goes without saying that incompetent employees must be replaced, unprofitable state enterprises must be liquidated and their equipment must be sold or turned over to those capable of using it profitably, and promising branches must be developed.

We are seeing all of this today in China: the reduction and modification of the structure of the machinery of state and the passage of new laws to heighten the operational efficiency of state enterprises (on the sale of stocks and bonds, on enterprise bankruptcy, etc.). There is no question that these changes are being resisted, and not only by bureaucrats on various levels but also by part of the laboring public—the least skilled and active workers who benefited from wage leveling and from the lack of initiative and responsibility. As a result, we can speak of the complexity of new objectives (consider, for example, the complexity of just the problem of retraining the labor force) and the difficulties of the phase of reform.

Something else warrants repeating. The reforms in China have not come to an end and cannot be ended or aborted so simply today. There is no turning back now. I think no one will disagree with the statement that the overwhelming majority of the citizens of the PRC would refuse to live as they did before the reforms.

[Editors] Could you list the greatest obstacles standing in the way of reform today and discuss the plans for their elimination?

[V. Gelbras] As we have already said, one of the biggest problems is the merger of power and property. The success of all other major economic and political reforms will depend essentially on its resolution. Sooner or later, this will be the "starting point" of our own "race" also. In our country the problem has hardly been analyzed at all, and we are simply collecting empirical information—about monopolies under socialism, departmental rights, departmental ethics, etc. Some realistic conclusions have already provided us with food for thought. Academician V. Tikhonov from the All-Union Academy of Agricultural Sciences imeni V.I. Lenin, for example, concluded that the departmental monopolism in our country has grown into a state-monopolist economic system and that its structure lost its connection with the volume and structure of the public demand for goods long ago. The sphere of theoretical inquiry, therefore, is clearly delineated.

In the PRC this problem attracted attention long ago. The harmful effects of the merger of power and property were acknowledged. This was followed by the appearance of the idea and then the theory of separating the functions of power from property—the separation of property rights from management rights.

[Editors] How will this theory be implemented?

[V. Gelbras] This is a question which has been given much thought in China. It turned out to be extremely difficult to find practical approaches. The emergence of companies representing seemingly autonomous entities was no coincidence. It took time to learn that this was only a deadlock. This was followed by the party and governmental decision to liquidate the "administrative companies."

Now another approach is being planned—a contract in industry, transportation, and construction. Various problems are being discussed: what kind of guarantees should be offered to the owner of state enterprises and to the work crew, how should effectively bankrupt enterprises be treated, etc. In 1988 the search for a sound basis for contract obligations and standards continued. There were clear tendencies toward a transfer from the obligations of the enterprise director to the obligations of the work crew; toward the extension of contract relations, essentially representing full economic accountability, to all subdivisions of the enterprise; toward a move from the work crew's responsibility only for profits to its complete economic accountability. This led to experimentation with the "guaranteed contract." The enterprise work crew establishes a "risk fund" to insure the state against possible losses. This provided new momentum for the investigation and planning of new methods of intraorganizational management.

There were experiments involving the division of the fixed and working capital of state enterprises into state assets and enterprise assets formed from part of the profits the enterprise earned and its own funds. There were experiments with the joint-stock form of ownership in the state sector. Enterprises began establishing affiliates, taking other enterprises on as contractors, and joining associations—blocs, groups, and consortiums.

[Editors] The Law on the Bankruptcy of State Enterprises has been in force since 1 November 1988. The search for ways of enforcing this law intensified as this date approached. Forms of "association," "annexation," and "amalgamation" came into being. What was their purpose?

[V. Gelbras] They had a single purpose: Competitive enterprises find ways of partially or completely acquiring property rights, based on the principles of voluntary participation and mutual benefit, to non-competitive enterprises operating at a loss. Property rights have already been sold on the market and at auction.

Nevertheless, if someone were to ask me whether the PRC had found a solution to the problem of separating power from property, I would answer that it has not found one yet but it is actively seeking one, and I would also add that several approaches seem quite promising.

[E. Kulpin] In this connection I would like to discuss the Law on the Publicly Owned Industrial Enterprise. It was intended to arouse the initiative of work crews and of

each individual worker and to enhance enterprise autonomy. An analysis of this document and of the experience in its implementation reveals that the level of enterprise autonomy is still too low: The main economic entity is not the enterprise work crew but a variety of governmental agencies and departments, and they are also the proprietors of the enterprise and manage it through the director.

[Editors] How do you interpret this? What made this happen?

[E. Kulpin] When the bill was being discussed at an NPC session, Professor Jiang Ping remarked: "Before there has been a comprehensive reform in the structure of planning, the structure of prices, and the structure of financial management, an enterprise cannot demand any greater right to autonomous operations than it already has." The validity of his point of view is specifically attested to by the experience in the implementation of our Law on the State Enterprise: The rights of enterprises remained on paper unless they were secured by a group of economic measures and methods at all levels.

Because the ideal regulator of economic relations in a planned commercial economy is still unknown, the Law on Enterprises is not even viewed as this kind of regulator in the PRC. It could become one, however, as the economic mechanism continues to improve. The methods of this improvement are interesting. A CCP Central Committee directive on the enforcement of this law was published immediately after its enactment. The document does not simply explain the enforcement procedure. It discusses matters which are not mentioned in the law at all: the monitoring of enterprise operations by the procuracy and the establishment of reliable legal means of protecting the enterprise against illegal actions by government agencies. By rights, these provisions should be discussed in the law instead of in a party document, but the economy is still essentially of a directive nature and a party decision therefore seems more important than a law at times to a functionary in the bureaucratic hierarchy. For this reason, an innovation must first become a common occurrence or what is sometimes called common law before it can be secured effectively in legislation.

[Editors] The topic of our discussion is economic reform, but our analysis would certainly be incomplete without an examination of the connection between economic processes and state-political renewal.

[L. Delyusin] Many of the difficulties arising during the course of economic reform are connected with defects in the politico-administrative system. Su Shaozhi and Wang Yizhou frankly admitted that this system does not meet the new requirements of economic development and does not correspond to the growth requirements of the commercial economy. They are firmly convinced that the system should become democratic and should be based on legal guarantees. There must be a judicial basis

for relations between the party, the government, and social organizations. Democracy cannot be viewed as a thing which can be "given" to people and "taken away" from them.

The growth of the commercial economy and the development of market mechanisms will aid in the elimination of feudal remnants and the "fetishization of power." In turn, the development of socialist democracy can accelerate the process of economic reform.

People in the PRC have stressed that the reform of the political system should exclude the possibility of a repetition of the "Cultural Revolution." This reform is intended to divide functions between the government and the party, to expand the rights of party, administrative, and economic agencies on the lowest level, and to reduce the number of administrative personnel. All of this will signify an important step toward the elimination of bureaucratism and broader participation by the masses in the democratization of the Chinese society. Although the CCP leaders speak of the need for political reform, they have also warned against excessive haste, have insisted on a cautious approach to forms and methods of change, and have called for "circumspection" and "the observance of limits in publicizing reforms." They have simultaneously stressed that this does not preclude "the resolute rejection of prejudices and the institution of bold inquiry."

In the opinion of the Chinese leadership, the development of democracy is a historical process and it will take place gradually over a long period of time. It has been said that China's traditions and specific conditions do not allow for the use of Western methods in this process, such as the Western type of parliamentary system. The status of the CCP as the ruling party cannot change, but new methods of administration must be found. This is the first problem to be solved in the process of political reform.

Deng Xiaoping has constantly stressed that the growth of productive forces, the accomplishment of the program of "four modernizations," and the multiplication of the advantages of economic reform will be impossible without political reform.

[Editors] Not everyone in China approves of political reform. Its opponents allege that it will weaken the party leadership and the ideological authority of the party, will slow down the modernization of the country, and will violate the order and stability of the state. The Chinese bureaucracy, judging by reports in the press, does not want to give up its influential position. This is why the struggle against bureaucratism is extremely difficult and complicated. What are its prospects?

[L. Delyusin] The need for radical steps to eliminate bureaucratism was discussed at length at the 13th CCP Congress. This is still a vital and relevant issue. Not everyone in the PRC believes that the reform of the

political structure, the division of the functions of party and state agencies, and the appointment of younger administrative personnel will put an end to bureaucratism forever. Chinese researcher Sun Yousheng, for example, believes that bureaucratism—this cancerous tumor on the society—cannot be excised without a radical rise in the material and cultural standard of living, the delivery of the people from poverty and ignorance, and the development of commercial production. This could strengthen public opposition to bureaucratism.

[V. Gelbras] In any case, we can conclude that the economic reform has again reached a stage of close interaction with political reform. The latter is entering the phase of effective completion. The structure and functions of party and state personnel are changing more perceptibly and on a broader scale. All subdivisions and structures of the CCP Central Committee monitoring and supervising economic agencies have been dissolved. The restructuring of the PRC State Council was completed at the end of 1988. Several abolished ministries and departments had been in charge of the technical-economic, technical-organizational, and informational support of the operations of different branches of the economy, regardless of the forms of enterprise ownership in these branches. Restructuring on all other levels of party and state administration will begin in 1989, and local agencies will be expected to display considerable autonomy. They will not be cast from the same mold in the future. This kind of reorganization will be the focus of the next 5 years.

[L. Delyusin] Here is something to illustrate what has been said about the restructuring. Structural reform in the city of Anyan (Henan Province) was carried out after thorough preparations in 1987. The number of party and governmental establishments was reduced by almost half, and the number of their personnel was reduced by 40 percent, but this was not simply a matter of reducing personnel numbers and costs. According to RENMIN RIBAO, as a result of the reform the municipal authorities ceased to interfere in enterprise operations and began concentrating on the resolution of social problems and the offer of concrete assistance to enterprises. It was difficult to divide powers between the party gorkom and the municipal administration until gorkom sections duplicating the work of administrative agencies were dissolved. Enterprise directors in Anyan were pleased with the results of the reform: "A new bride cannot be the mistress of the house until her mother-in-law leaves. The same thing happened to us: Now that we are no longer dependent, we have a stronger sense of responsibility."

[Editors] Unfortunately, it is time to sum up the results of our discussion. Although we naturally could not cover all of the aspects of economic reform and its role in national life, there is some basis for our main conclusion: The reform has been an exceptionally important factor

in the dynamism of social processes in China, has noticeably stimulated activity by enterprise work crews, and has become part of the life of almost every urban and rural family.

The reform is still going on. More than ever before, the reform and all social life will depend on the laboring public—this is particularly significant now that the new market has involved the overwhelming majority of the population in daily reciprocal contacts. From now on, advancement will only be possible with the laborers and only when they are ready and willing to advance. The isolation of the party and state from the masses as market relations develop could be a much more dangerous and menacing development than anything in the past.

What can you say at the end of our talk?

[V. Gelbras] One of the most important problems (in theory and practice) is the lack of comprehensive—or, more precisely, complete—reform. The reform of separate economic links and currents created such a complicated intermixture of old and new mechanisms that it gave rise to serious difficulties and contradictions in socioeconomic development. This enhanced the role and significance of the supervising and guiding activities of the party and state and their quick and accurate reactions to all processes in the country. It is probable that the most important distinctive feature (at least in comparison with the situation during the first 3 years of perestroika in our country) is that executive agencies, and not just the party, served as the inspiration and "think tanks" for reform. The PRC State Council has been one of the most active organizers and initiators of reforms. In turn, many local government agencies—the people's governments of provinces, autonomous regions, and cities of central jurisdiction and also of several regions and districts—have occasionally drawn up and carried out their own programs and have even come up with their own original economic models and are experimenting with them. Therefore, the machinery of state is made up of forces representing the brakes and accelerators of reform.

To some extent, this might have occurred because the administrative staff has autonomous structural subdivisions responsible for the elaboration and implementation of theories, strategies, and tactics of reform. There are special research centers and subdivisions for the planning of this kind of restructuring. The result has been a unique form of organizational competition in the planning of major and minor reforms, their implementation, and the verification of results. This competition has been promoted by the public discussions of the ideas, theories, conclusions, and proposals of research teams.

The process of improving enterprise management will continue at enterprises in the next few years. Property relations will be restructured to separate them from political relations of authority and to turn laborers into

the actual proprietors of national production. Preparations are being made for the reform of prices and wages. According to available Chinese projections, this should take from 5 to 7 years.

Therefore, a great deal of difficult work still has to be done. We wish our Chinese colleagues and comrades success in the renewal of socialism.

The editors are grateful to the participants in this discussion. We think this analysis of the situation was interesting and productive. Of course, we were able to discuss only some of the relevant aspects of China's economic development today. For example, we did not discuss the external factors which are playing an increasingly important role in the economic life of the country.

If our readers are pleased with this kind of discussion of events and problems, we will try to make the "Analysis of the Situation" rubric a permanent part of the journal. We want our readers to suggest topics whose analysis will contribute to the accumulation of new and positive knowledge and ideas that might help in the acceleration of perestroika in our society and the renewal of socialism.

#### Footnotes

1. For a more detailed discussion, see, for example, V.G. Gelbras, "Social Changes in Chinese Society," RAB-OCHIIY KLASS I SOVREMENNYY MIR, 1987, No 3—Ed.

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**Japanese Agricultural Situation Examined**  
18070253 Moscow SOVETSKAYA KULTURA in  
Russian 27 Apr 89 p 7

[Article by Vladislav Dunayev, special NOVOST PRESS AGENCY correspondent for SOVETSKAYA KULTURA: "Is There a 'Miracle' on Earth?"]

[Text] We were a little late for our scheduled meeting with the Ichikawa family, a traditional family of ancestral Japanese farmers. Still, the nearly 3-hour distance from the capital had an effect.

The need to get to an "out-of-the-way" place was not just because "Tokyo is not Japan." We wanted to find out if there is a "Japanese miracle" on the land. In recent years, the problem of agriculture, the future of the rural areas, has been causing increasing concern among the Japanese. At first glance, this is surprising; the endless produce, fish, and meat counters, supermarkets, stores, and food floors of department stores, be it in the city or in the rural areas, seem to be packed with all conceivable and inconceivable products—from those produced in the country to those imported. But, as it turns out, the abundance of food has a reverse side: as a result of

integration into the world economy, the goods of Japanese farmers have to jostle each other, unable to compete with cheaper imports. In the next few years, when under pressure of its foreign trade partners Japan will be forced to remove the last tariff barriers, the level of competition will increase immeasurably. They will have to abandon certain types of traditional products altogether, and this means it will be necessary to develop a new strategy. However, the search for new directions of economic management, a task similar to one already successfully carried out by Japanese industry, poses enormous difficulties for the farmers, who are essentially conservative. It involves breaking a psychology and requires not only shrewdness, knowledge, and culture of land use (they do not interest the Japanese farmer), but also, to put it frankly, considerable courage of an explorer. We were promised a meeting with such explorers in Nagano.

We began talking, sitting on the tatami at a hospitable table where our legs were warmed by a hibachi pot built into the floor, and above roasting pans were smoking. One was for thin slices of meat (it was a time European guests were allowed to eat meat), and the other was for the pride of the farm—meaty, lightly steamed, melting-in-your-mouth shiitake—mushrooms grown on felled trunks of a Japanese variety of oak...

The women and children of the family had already left the room, except for the oldest granddaughter, 3-year-old Sachiko, apparently the grandfather's favorite. Chuji Ichikawa was 15 years old when the democratic land reform was carried out in Japan in 1947: The lands of landowners were redeemed by the state and sold on a 24-year installment plan to farmers for perpetual use. Chuji remembers well those hungry times. Now, too, the Japanese farmer has a deep distrust in the soundness of the achieved prosperity. Therefore, several years ago, he strongly felt that it was necessary to give up growing rice and had to find another area of farming. He turned to his neighbors, but they did not support him—and they miscalculated...

Support came from NOKE, the All-Nippon Council of Agricultural Cooperatives created by the government back in 1947, or more correctly from its local branch. This organization is involved in literally all aspects of the farmers' life. One of the most important tasks of NOKE is granting credit.

On the average, a Japanese farmer has 1.5-2 hectares of land, an area which is considered the most effective under the country's conditions. Chuji Ichikawa has 3 hectares, of which at his own risk he left only 1 hectare planted in rice, planting another hectare in apple trees. The densely planted rows of 1,100 trees with excess branches cut back to let the sun in yield 40 tons of apples, of which the family makes 1 ton of juice and pups the rest up for sale.

Walking between the endless rows of still young and now, in the spring, seemingly unprotected trees, we asked how the family (Ichikawa himself, his wife, oldest son, and daughter-in-law) handles the entire farm and especially caring for the fruit. In response, we were told that they combat insects by pollination. However, there is no less work; they have to remove four embryos from each peduncle in order to obtain a truly succulent fruit from the fifth. Here, no kind of equipment will help; it must be done by hand. Therefore, over the course of a year, he hires additional help—about 200 man-days. In recent years, it has become common practice to take into their home visitors from neighboring countries to teach them. A young farmer from the PRC lived and worked with the Ichikawas for 6 months.

The mother and daughter-in-law take care of the children and the house, and the father and son work from 9:00 AM to 6:00 PM with a break for lunch and tea. The farm has a small tractor (22 hp), attachments for plowing and cultivating, a 2-ton truck, and also 4 cars. All this is to help with the heavy physical work and transporting. Nevertheless, there still is a mass of minor, grueling labor. This primarily involves raising the shiitake; the hothouse with them occupies 4,000 square meters.

One-meter long logs are cut from the oaks (oak is glandular and bristly); 20 holes must be drilled in them for special plugs impregnated with bacteria. For many years the farmers have been purchasing both these logs and plugs ready-made at special companies. The logs must be submerged for 20 hours in 10-degree water and then transferred to a hothouse, where there is a well for free air circulation. Over the course of 3 years, the logs each yield three crops of mushrooms a year, provided they are given 2 months to "rest."

Shiitake, which the people call "cancer medicine," is a permanent accessory of the Japanese table; they are used in soups, roast meat, and salads. Ichikawa receives 1,600 select shiitake, which are packaged here in cardboard boxes of 40 in each. The art of raising shiitake has a long tradition in Japan. The product of the Ichikawa farm is famous, bringing it considerable profit. On the whole, the annual income from the 3 hectares of land reaches 16 million yen, 69 percent of which is net profit.

"Ichikawa-san, your family apparently has successfully resolved both basic problems of the Japanese rural area—the problem of integration into the international economy and the problem of passing down your job to as an inheritance to the young."

"As far as the first is concerned, I believe the future is for international agricultural cooperation. Some countries will produce rice, others meat, others wheat, and so forth. Besides the economic advantage, this, we would hope, will serve as a most reliable obstacle to unleashing any wars—where would we go then without one another? But it is not so simple for the time being with inheritance

in our rural area. During the postwar period, the agricultural population has been reduced severalfold; only some 5 percent of the population is directly employed in agriculture. Only 10 percent of the young people return to the rural area after receiving an education (12-year or college). Of course, this pushes further automation, in recent years computerization, and we place great hopes on biotechnology. But even this is nothing without living human hands and minds. I am lucky; my oldest son has become my assistant, but my youngest son did not agree to do so. In order to bring the young people back to the rural areas, we must ensure a level of pension guarantees absolutely equal to the city."

Saying good bye, our hospitable host advised us to drop in at the Iizuka farm on our way back to Tokyo.

"It's not far—across two large tunnels from us. You will meet an interesting person, who previously worked in our NOKE branch, but has been an independent proprietor for 13 years now."

Already a minute after meeting the Iizuka family (the elderly parents, the young owner and his wife, two teenager daughters, and a "minarai"—a trainee on the farm), we had not doubt: These were modern farmers. There was an air of prestige, authority, and, most importantly, an abundance of energy and openness coming from this young couple, clearly in charge.

Yasiuki and Etsuko Iizuka are 39 years old. Both have a college education. Yasiuki graduated from the information faculty of the Nagano Prefecture University; Etsuko from the faculty of social security in an industrial society of the same university and later also a 2-year child-rearing college.

Before his illness, Yasiuki's father ran the household. Already 15 years ago he had begun reorienting the farm from rice to apple trees and grapes. The young owner left only a small section planted in rice, concentrating all his attention on the promising vineyard and apple orchard. A tractor (40 hp) works an area of 800 square meters; besides Iizuka's farm, it serves five other families on a cooperative basis. Iizuka has a 1-ton truck, a small tractor with various trailers, a minibus and a car, which are driven mainly by Etsuko.

Returning home after inspecting the hothouse which has early-variety grapes, making ourselves comfortable in a cozy living room furnished in European style, we strike up a conversation.

"Apparently, you have full equality in your home..."

"Lately, it is no longer equality, but domination of women in Japan," Yasiuki laughed, and with this called his wife for a revelation.

"Judge for yourself: I get up at 5:00 in the morning, clean up and cook until 7:00, send the girls to school after breakfast, and then spend about 1 hour studying Buddhism (my husband and I are Soka Gakkai). At 10:00, all my workers gather for tea, and at 11:00 we go to the field. At 2:00, I serve lunch, and we all are already working again at 3:00. At 5:00, we again meet for tea and eat supper, depending on the time of year, at 7:00 or 8:00 in the evening. Then my husband and I go to one of our fellow villagers, where we all get together and talk sometimes for 2-3 hours about life and how it will be in the future."

"Well, as far as I'm concerned," Yasiuki enters the conversation, "I learned long ago: A person is filled with the meaning of life by working directly on the land. Like nothing else, the fruits of the land can serve either the prosperity or the ruin of a nation. Good, healthy food is more important than a "nuclear umbrella." More and more products are coming into Japan from abroad with a high content of chemicals. And we in our country, too, despite the widespread citizens' movement, are still using chemical fertilizers and pesticides. This is done mostly by the elderly farmers who do not have enough physical strength to work the soil and care for the fruits without using the powerful agents. As a result, there is now a threat for the population, especially children, and for the soil itself. Therefore, the task of the day is to rejuvenate the rural area. There exists the opinion that the solution is in the so-called merging of the city and rural area, in leasing more and more areas to urban seasonal workers. But this will ruin the land; the temporary farmer is its worst enemy. You see, farming is, above all, building up the soil, and no one other than a real owner will worry about this. The future, on the contrary, is in clearly dividing the population into those employed in industry and those in agriculture. Working the land, and I should know, requires no less brains and imagination and gives no less interest to life than any other type of activity. The main thing is to love the land and to put all your native intelligence into it."

"For example, we do not have a boring life. Several years ago, our farm was accepted into the "prestigious" Maruta cooperative, which today unites only 700 members throughout the country from among those who have achieved the best results in growing fruits and vegetables. Through this cooperative, the choice portion of the produce, given a special symbol—a sign of quality, goes by special orders to the most famous stores in Japan. Every year we prepare for various exhibitions and competitions and strive to see that what we have done achieves recognition."

"You have two brides growing up in your home..."

"Yes, let them grow up and bring their grooms home, but they have to be good workers. There will be a job for them. Then grandchildren will come, so there is a future."

The final parting words were spoken in front of a sturdy tree near the entrance.

"Iizuka-san, what kind of a tree is that and how old is it?"

"That is our famous iron oak. I don't know how old it is. I only remember my grandfather saying that when he brought my grandmother home as his bride, it was already standing in this spot."

### **Current Economic, Political Situation in Philippines Viewed**

18070254 Moscow IZVESTIYA in Russian  
27 Apr 89 Morning Edition p 5

[Article by V. Nadein: "1,000 Days of President Aquino"]

[Text] Moscow-Manila—We do not know the Philippines very well and the Filipinos know even less about us. This is all the more distressing since both countries have faced a similar predicament in the recent past that has to be overcome. We and they use the same word for this predicament—stagnation.

### **Out of Stagnation**

We and the Philippines have so many differences that to get carried away with comparisons is an unjustified risk. The lines of development of our countries are not at all parallel. Moreover they lie in different historical planes. But I will emphasize one other thing that we have in common: prior to the beginning of the 1970's, we and the Philippines were among the countries with very high rates of economic growth.

"In the first two postwar decades, we developed like Japan," I was told by Sofia Bodegon, executive director of the Philippine News Agency. "In the period after that, our neighbors—Singapore, Malaysia, Hong Kong and Taiwan—became new industrial countries. We lost time and now we are making desperate efforts to climb out of the depths of the 'Third' World."

This point of view is widespread in the Philippines. Today the direct causal link between the general degradation and the lack of personal freedom is obvious to all. And it is not even that the "iron hand" of Ferdinand Marcos was also extremely avaricious. Thousands of luxurious dresses and fabulous stocks of French cosmetics in the cellar of the presidential palace Malacanan, now open for viewing by the astounded public, speak more about the plebeian insatiability of former first lady Imelda Marcos than about the real reasons for the economic decay.

When Marcos declared martial law on 21 September 1972, he not only froze democracy. He not only curbed personal initiative. He not only invested himself alone with the rights that belonged to all citizens. He also

tempted and corrupted the country with the crafty assurance on the order of: if you want to be happy, submit. The common happiness was a trap, from which there was no personal way out.

The first years of martial law brought the country the appearance of relief. Three newspapers (all of the others were closed at the same moment) belonging to Marcos cronies vied with each other in praising the fruits of dictatorship. Not everything in these songs of praise was a lie. Crime did decline, prices were stabilized and the agrarian reform was accelerated. The Moslem separatists on the southern island of Mindanao suffered a series of defeats and the rebellious movement in other regions was weakened. All of this sounded convincing for a country comprised of 7,100 islands with a total coastline exceeding the distance from Brest to Vladivostok.

The fruits of dictatorship ripen quickly but do not rot immediately. As should have been expected, the iron cap did not protect against thieves. It merely created the ideal greenhouse environment for the plundering of the state. The president headed the list of robbers. The Filipinos received more than \$25 billion in credits. Not less than \$10 billion of this sum found refuge in the pockets of Marcos himself. Already seriously ill, lying in his bedroom that looked more like an intensive-care ward and peering at the ceiling painted in triangles, the president was concentrating the remainder of his will on one thing: money!

The triangles were supposed to bring him happiness. The hypochondriac ruler believed in the miraculous power of pyramids.

Unfortunately, our former ambassador was one of the few who hurried to congratulate Marcos for his election in February 1986. What was he counting on in throwing the symbolic straw to the drowning man? Why did he not perceive the rumble of the inexorably crumbling regime? The diplomats of both countries have wisely forgotten this episode but for us it is important as a classical illustration of the necessity of de-ideologizing international relations. The economic foundation for the rulership of Marcos had long since begun to show deep cracks. It took a special effort not to notice this. Whereas in the mid-1970's foreign investors began to avoid the Philippines and after the start of the 1980's local capital flowed out of the country through holes that bribes had opened in the thick walls of bureaucracy, after 21 August 1983 the money surged out of the country in waves, making the fall of the regime just a matter of a short time.

On 21 August 1983, the foot of former Senator Benigno Aquino, a former rival of Marcos for the presidency, touched his native land at the Manila international airport. It was at that precise moment that an assassin's bullet went into his head.

This misdeed marked the end. After this, the gross national product only fell. And prices rose. In 1985, the income of the wealthiest 10 percent of the population was 15 times that of the poorest 10 percent. An agricultural worker had only 47 percent of the average wage of an urban dweller. A pompous building built under the plans of Imelda Marcos (the madam dabbled in architecture as well) collapsed. The ruins buried more than 100 people. Connoisseurs covered the whole world buying up the best diamonds for the first lady. Renowned portraitists depicted her, who, dressed in white, came out of a gentle blue wave. Marcos appeared in public infrequently, and only in slippers with skillfully camouflaged high heels. He could not always receive honored guests but was glad to present them his "latest" portrait: an athlete bare to the waist with tightly flexed muscles. Today this portrait still hangs not far from the entrance to a first-class polyclinic that serves him alone around the clock. This is in a country where there is one physician for 8,000 inhabitants. (The famous "bloodless surgeons" are not counted here. Those I saw were certainly charlatans).

A feast during the plague....

#### Not Yet Well but No Longer Sick

"We were simply fortunate with Cory," said Riki Vergara, a well-known journalist from the newspaper *MANILA STANDARD*. "Honestly, the people were not voting for her but against Marcos. But she turned out to be a born statesman."

At the end of the first 1,000 days of her stay in the presidential palace, Corazon Aquino is not only the recognized but the beloved leader of the Filipinos. Is such a generalization not superficial? Are there not still numerous followers of Marcos intriguing against her? Was the separatism on Mindanao pacified? Are not the shots of the "rightwing" and "leftwing" opposition being heard in rural regions, accompanying the slow—in the opinion of many—course of agrarian reform?

The political structures of the society are still in a process of being established. There is more assurance in the government itself than beyond its borders. "It is becoming somewhat boring for foreign journalists here," noted Teodor Benigno, the minister for press affairs who received us. "Everyone is working quietly at his job." His colleague, the minister for tourist affairs, would hardly share this position. He was deprived of his post the day before our planned meeting. While still in Moscow, a telegram reached us: Benigno himself had been dismissed.

There are many problems. Still, the simplicity, openness and charm of Corazon Aquino are not only the external framework of policy but an independent serious political factor. In a country where 55 percent of the population (33 million people) live below the official poverty level (\$140 a month per family), a modest life style is shifting

from the category of personal tastes to the realm of the civil duty of the leader. The most dazzling gems in the ears of the president would not break the country, of course. But they would disunite the nation.

But the way, modesty does not replace politics itself. The 1,000 days proved the perseverance of Aquino in the restoration of democracy—political as well as economic democracy. Today, I repeat, 55 percent live below the poverty level. In the year in which Marcos fled the palace, 70 percent eked out a miserable existence. If the plans of the government are realized, then the next 1,000 days are supposed to reduce this dismal indicator to 45 percent. And then, for the first time in its entire history, the Philippines will be a society in which the poor will not be the majority.

In 1987-1988, the economy grew steadily and rapidly. The annual increase in the gross national product was 6.7 percent. Construction is under way around the clock not only in Manila but throughout the country. It is becoming difficult to get undisturbed sleep even in the fashionable Makati district. The old hotels (including the Hilton, Holiday Inn and Nikko) do not have room for the flood of merchants from throughout the world. It is a problem to get an airplane ticket for Singapore or Tokyo. The annual inflation percentage fell below double digits, as did unemployment.

These are the official reports. Independent estimates from nongovernmental and public organizations do not refute the rapid progress. But there are hot disputes about one indicator—unemployment. Nonofficial sources put it as high as 20 or even 40 percent.

Few know that the Filipinos are the third largest English-speaking nation in the world. This (in combination with their willingness to be content with little) makes the Filipinos desired in Australia, Singapore, Saudi Arabia, the Emirates...in construction projects, plantations and enterprises and in those institutions where most of the manpower is young attractive women.

Last year the number of workers leaving under contracts doubled, reaching more than 900,000. The country benefits from this in three ways: unemployment is reduced, the well-being of remaining family members improves and the national currency becomes stronger. Last year \$800 million came in from workers abroad, according to official channels. It is supposed that at least that much stayed in their pockets. The financial authorities are combatting this but indolently. In the final analysis, what comes in is not going out.

We call the capital of the country Manila. This is not completely accurate. Only part of greater Manila, Quezon City, is considered the capital. Greater Manila itself is huge in a deformed way. Its vigorous growth during the time of Marcos is the natural result of authoritarian rule. In the provinces, where the oppression is doubled because of the perversion of the law by local satraps, it is

much more difficult for the ordinary individual to survive. He abandons his dwelling, leaves his family (for a short time, as it seems to him) and, half closing his eyes from fear, plunges into the overpopulated outskirts of the capital. One more poor person....

"Tomorrow we will go to the Smoking Mountains," promised Antonio Nieva, chairman of the Philippine Union of Journalists.

Since the country is amazingly beautiful, I was prepared for romantic landscapes. Well, yes.... The mountains were smoking but the stench was abominable. Here, at the gigantic city dump, is the home of 30,000 people. Here they work, digging some halfway serviceable scrap material from the refuse. Here they live, love and are born. The government has no money to offer them a better life today.

But there is a program and it is being carried out. "Kalakalan"—a complex of measures aimed at dispersing urban poverty and lowering rural unemployment. One of the measures is to give palpable tax advantages to small enterprises utilizing local raw materials and having no more than 20 workers and an initial capital of up to \$25,000.

There was no newspaper that did not comment on the words of R. Nervekar, director of the Asian section of the IMF: "The economic growth of the Philippines is very good and quite impressive." The comments ended with the invariable question: Will this compliment work? Will it help to put into operation the aid plan for the Philippines, the "mini-Marshall" plan, which, before it even existed, was widely advertised as being analogous to the Marshall Plan for postwar Europe?

At the end of 1987, when four American congressmen put forward this initiative in a letter to President Reagan, the enthusiasm on the islands was great. But the thrill of anticipation has now died away and therefore congressional speaker Ramon Mitra said in response to my question:

"If they give it, good. If they do not, we will manage on our own."

Optimism is becoming to the statesman. Supporting him are the words of the well-known international financier Dr Villegas: "The Philippines are no longer the sick man of Asia." Marcelo Lagmay, chief editor of the newspaper BALITA published in the Tagalog language, stated it more precisely: "But not yet healthy."

#### **Bases and Rudiments of Politics**

"If there were a vote in parliament today, 70 percent would vote for the removal of the American bases from the country," said Senator Agapito Aquino, younger brother of the deceased husband of Corazon Aquino. "But if a national referendum were held right now, no

more than one-third of the population would support the legislators. For the overwhelming majority of ordinary Filipinos, the bases are either advantageous or make no difference."

The Americans know about this. They know that tens of thousands of Filipinos—from suppliers of vegetables and school tutors to taxi drivers and prostitutes will be deprived of work if the aviators move from Clark Field to other airfields and if the seamen sail away from Subic Bay to other ports.

Classical colonial patterns will not tell much about the interrelationships between the United States and the Philippines. The fact that the victorious war in 1898 resulted in a commercial deal (the United States not only inflicted a defeat on Spain but also further sweetened the pill with \$20 million) is a detail. More important is the fact that to a considerable extent the broad educational system, the public health network and the elementary democratic institutes and traditions have to do with American teachers, physicians and politicians. Regardless of how critical many Filipinos are toward the U.S. Government, they do not deny the contribution of ordinary Americans. Finally, and this is of considerable importance for the spirit of international relations, most Americans were not characterized by the colonizer's haughtiness, arrogant isolation or proprietary pride.

The picture of the century-old American-Philippine history is too variegated to reflect it in one stroke. But if one nevertheless makes such an attempt (realizing, of course, its imperfection), it is difficult to get around the heroic drama of Corregidor and Bataan.

We know Douglas MacArthur as an implacable warmonger. This was fed by the general's firm anticommunism. But this cannot serve as a reason to deny MacArthur's outstanding strategic talent, which was manifested brilliantly in a most difficult time, precisely in the Philippines.

When militaristic Japan seemed invincible, when the battleships caught fire at Pearl Harbor, when Singapore fell and Australia first stood transfixed before the real threat of an invasion, MacArthur prudently abandoned the defense of Manila and its bay, considered the best in the world. Being declared an open city, Manila avoided destruction. All the troops were evacuated to the islands of Corregidor and Bataan. "I gave the enemy the bottle but I kept the cork in my hands," said MacArthur at that time. In a dreadful siege, the general held this "cork" for almost 6 months.

The general? It is soldiers who fight. The heroes of Corregidor and Bataan were 15,000 Americans. And 140,000 Filipinos. They did not wait for the help promised by Washington. Hungry and tattered, the soldiers joked bitterly: "We are the fighting mongrels: neither papa nor mama nor Uncle Sam."

The battle went into the textbooks. They called it the Stalingrad of the Pacific Ocean. The U.S. Congress applauded the heroes. Their own, Americans. After the war, they received important privileges and good pensions. As for the Philippine veterans who fought shoulder to shoulder under the same flag, the Congress, after considering the matter, did not give them a cent. The money, they explained, was needed for the Marshall Plan. The real one.

As for this mini-Marshall plan, Australia, Belgium, Canada, France, West Germany, New Zealand, Spain, Great Britain, Switzerland, Singapore and Brunei are prepared to support it but for the time being in principle rather than with money. All are looking to the United States (and Japan, of course), whose initial contribution is supposed to give courage to the doubting investors. But the Americans are definitely unhurried: ahead is 1991, when the legal term of the lease expires. And although on the other side of the ocean they are assuring that the aid and the bases are in no way related, there is nonetheless more trust in actions than in words.

What pretext can the Americans invent for the existence of the bases after President Gorbachev's declaration of the willingness to leave Cam Ranh?

This question from a Philippine colleague was heard during a "round table" discussion held with our participation at the National Press Club. It evoked laughter. That was even before we Soviet participants shrugged our shoulders in bewilderment: should we rack our brains over this problem? From the many conversations that we had in the capital, we became convinced that no one here ever took a Soviet military threat seriously. Being strong points of American geopolitical strategy, the bases need a "red danger" only as a propaganda screen. Their primary purpose is to put constant pressure on the countries of this promising region. And whether or not our sailors continue to use the installations at Cam Ranh in Vietnam, the United States will continue to strive to maintain a powerful military presence.

#### Is Manila Far From Moscow?

Very. But the distance to Vladivostok is only one-third as great.

If we had the money to buy the inexpensive and very respectable shoes and clothing that the Filipinos produce.... If they had the money to take part in the projects for the development of our Far East.... If we had the need to invite 20,000 or so Philippine builders for temporary work.... If they made up-to-date computers.... (Every Japanese computer has Philippine parts but the country is not ready for the mass production of "high technology.") If we built a complex there with a full metallurgical cycle—but on credit, long-term credit....

Cultural contacts between our countries are developing normally but economic cooperation is running into an exacting series of these objective "ifs." This does not at all mean that the possibilities for cooperation have been exhausted. Our small trade delegation is looking for opportunities. But, let us be frank, they are still modest.

You cannot say this about the political dialogue. The first visit of a Soviet minister of foreign affairs to the Philippines

in history provided a serious impulse for the search for new spheres of cooperation. Alejandro Rojas, the chief editor of the MANILA BULLETIN, the most popular newspaper here, said: "I translated 'Dead Souls' and 'The Inspector' into Tagalog. Unfortunately, not from Russian but from English. But reports from your country are published so frequently on the first page not because of my personal sympathies. The basis for it is the constantly increasing interest in the USSR here in the islands."

**Journalist Describes Meeting with Mujahidin Commander**

18070255 Moscow IZVESTIYA in Russian  
30 Apr 89 Morning Edition p 5

[Article by V. Sevruk: "Afghanistan: We Will Decide for Ourselves How To Live"]

[Text] *In Mazar-e-Sharif, the center of Balkh Province, the mujahidin were finishing evening prayers. From the duvals came the smell of roast lamb. It was the fifteenth day of Ramadan. After the day's fasting, when from sunrise to sunset one not only cannot eat but also cannot even swallow water, in the evening one can begin eating.*

The person to whom I was speaking took a sip of tart green tea from the transparent French cup and said:

"The field commander of one of the rebel detachments has agreed to meet with a Soviet journalist. At night, he and his guard will come down from the mountains and be ready to answer your questions at 10:00 at the agreed-upon place. Here are the conditions: You cannot have on your person a weapon, camera, dictaphone, pen, or paper; and you must give your word of honor that you will not describe the place where the meeting will take place, that is, its geographic coordinates or the appearance of those taking part in the meeting, and not mention the names of the nearby populated areas."

I asked if they would have time to pass on to the commander that I agreed.

"It's a matter of technology," he smiled and said in Russian. "Everything will be according to science. He has a powerful Japanese walkie-talkie, and ours is just as good."

When you are waiting for something unusual, disconcerting, and in the morning—here the sun is shining and the sky is blue, but your senses are stirred up, and two sips of tea are enough, and you really would like this all to take place as soon as possible.

The driver raced the "Volga" at a speed of 120 km per hour. He slowed down only at the security post, where there was an asphalt speed bump at the barrier. If you tried to go over it on the move, you would either fly off to almighty Allah or lose your teeth.

But the gate was behind us now, and the driver began speeding again. He was young, with white teeth; now I could only see the strained back of his head and his back, covered in a sleeveless national robe.

We brake sharply. They pointed at a livestock pen standing in the distance on the left. The meeting would be there. Only the interpreter and I went farther. We entered a small yard about 75 by 100 meters, surrounded

by a duval 3 meters high. The interpreter explained that I had to cross my arms on my chest and remove my jacket so they could see that, as agreed, we did not have anything with us.

When a jeep approached, the driver and front-seat passenger gave us their seats. I had to sit and look straight ahead. I could turn my head when he said "irreconcilable."

We stand and wait. It is cool. The sky is light blue. There had not been any sheep in the pen in a long time, so it was grown over with grass. It smelled of lungwort, the clover was beginning to bloom, and poppies were ablaze. In a hole in the duval I could see a kishlak that had been turned into rubble by rockets and shells. And for some reason I recalled a song of the Polish soldiers:

"The red poppies near Monte Cassino...."

You see, back last summer, our brothers and sons fell here or nearby, mowed down by close-range fire DShK machine guns: the Oleshkas, Ruslans, Albertases. And their lips, turned white, whispered: "No problem... We'll break through..." Fighting furiously side by side with them were Afghan soldiers, party members, and volunteers of detachments of defenders of the revolution.

History has yet to give an impartial and wise assessment of the Afghan events, but it will never threaten the courage of those who have fallen.

A jeep flies into the livestock pen. It turns around swiftly and sharply and, throwing up a cloud of dust, comes to a standstill in a far corner. The windows are tightly screened. The driver, with a short-barrel Bundeswehr sub-machine gun pressed to his stomach, jumps to the ground. Six 32-round magazines, the same 9-mm caliber as in 1941, are tightly packed in a black vest. The interpreter and I sit down, as was agreed: He in the driver's seat, and I next to him. We look ahead. A pigeon calmly stalks along the crest of the duval.

I ask who the respected commander represents. Behind my back I hear the stirring of several human bodies, the clank of metal, and a voice which the interpreter interprets simultaneously in Russian.

"My detachment belongs to the grouping 'Jami'at Islamiye' (Islamic Society of Afghanistan). We have 400 people, four 100-man battalions, each consisting of five 20-man groups. We are armed with Chinese-made Kalashnikov machine guns and sub-machine guns, Chinese anti-tank grenade launchers and DShK, Italian recoilless guns, American mortars, 20 surface-to-surface American Stinger missiles, Japanese and West German radio sets. The detachment controls seven large kishlaks, and its main nucleus is based in the mountains."

I ask: Is he meeting me with the knowledge of the leadership of the "Jami'at Islamiye?" He answers that he himself made the decision: Why not meet with a Soviet journalist. I ask: Why then such secrecy? He answers that, if it comes out in the open, he inevitably would have to go over to the side of the government or engage in battle with his own, and he had other plans.

I ask what he thinks of the government of Doctor Najibullah. He answers that now he is not getting involved in fighting, but is staying neutral. The Russians have gone. Who is he supposed to shoot at, his own—Afghans?

Then, despite the promise, I turn around and look him in the eyes. He calmly endures my stare. And I ask him pointblank:

"That means you shot at our men?"

He answers unhurriedly:

"They shot at me, I shot at them," and he taps on the warped tin magazine of a weapon. "Here, I took this at your outpost."

It distressed and depressed me, and sent a chill up my spine. He was looking me right in the eye, but no longer with the previous severity. Then I continued:

"Would you shoot now?"

"Why should I shoot now? I have other concerns now."

Then he says a long sentence, in which I catch individual words: "Jalalabad," "Hekmatyar," "Pakistan," "Americans," "Stingers," "vehicle." I turn around and look straight ahead because I had to concentrate and remember the translation.

His unhurried dialog went something like this:

"They demand that I send people to Hekmatyar to help storm Jalalabad. I have not given a single person to this American servant. (The interpreter said literally: American dog.) They want to drive us into some federation with Pakistan. These Americans. (That is how the interpreter translated it—Americans.) Do the Americans read your newspaper? If they do, write that I will hit them with Stingers beyond the big mountains and beyond the warm seas. I have many Stingers. We don't need anyone now. We are Afghanistan. We will think for ourselves how to live on our land, without the Americans. If the government wins and they don't bother me, then I will decide what to do. But if Pakistan sends in troops, I will stand to the death for Afghanistan."

He touches me on the shoulder and points to his watch. That means I have one last question.

"Well, how will you live with us, Soviets, your neighbors?"

He smiles:

"I will trade with you. I won't shoot at you. You have good jeeps..."

The tension falls away, and I make out four human faces in the semidarkness. Their parchment-stiff skin has been tempered by the frost, wind, and mountain sun. Their eyes blink. They are bloodshot from the lack of sleep and the sun's rays. Behind my back are the weapon, the Chinese-made Kalashnikov, and a grenade launcher with three spare rounds in canvas covers.

The interpreter and I jump down from the running board. The driver flies into the seat. The jeep tears away. Chunks of baked clay fly against the walls of the duval. I look at my watch—10:18 Kabul time. Suddenly I sense the sharp smell of thyme, native Belorussian thyme...

But it is 4,317 km to Minsk, if you go straight....

#### **Israel Using New Technology to Observe, Control Intifadah**

18070261 Moscow KRSNAYA ZVEZDA in Russian  
29 Apr 89 First Edition p 5

[Article by V. Kirillov: "The 'Big Wash' Israeli-Style"]

[Text] The intifadah—the Palestinian uprising on the West Bank of the Jordan River and in the Gaza sector occupied by Israel—has lasted for almost a year-and-a-half now. And not only is it not subsiding, but it is gaining strength. Practically unarmed, the Palestinians are firmly opposing an Israeli army which is armed to the teeth, and which has been given the task of breaking the resistance of the insurgents. Around 300 Palestinians have already fallen at the hands of the chastisers in this unequal struggle.

And although such a repressive policy is costly to Tel-Aviv in a moral as well as in a material sense, the ruling heads have no intention of rejecting their efforts to extinguish the flame of the anti-Israeli demonstrations. The method for achieving this goal does not change. It is expressed in harsh reprisals against the Palestinians. Yet the means for such reprisals are being renewed.

Thus, recently correspondents were shown several innovations of Israeli industry intended for facilitating the army's struggle against the intifadah! Among these was the super-lightweight two-seater ULM aircraft. It is intended for performing reconnaissance flights over the occupied territories. With the aid of this plane, the Israelis will be able to conduct surveillance of the highways and photograph the "hot spots".

The Israeli army will also get the use of one other aircraft, which has come to be called the "Mosquito". This is a small unmanned airplane with remote control. With the aid of the television camera installed on board, the Israeli officers will be able to observe the events taking place in the cities and camps of the Palestinian refugees during incidents and to effectively take appropriate measures. What kind of measures? For example, the army will receive a new missile containing tear gas. Its advantage, from the standpoint of the Israelis, is that it is remote controlled. Consequently, the chastisers themselves will not be subjected to the effect of the tear gas which they are using. Special grenades have also been developed which soldiers will be able to use with their personal weapons. Their extremely loud explosion should, in the opinion of the inventors, scare away the demonstrators.

Yet undoubtedly the "jewel" of the mini-exhibit was the device called the "washing machine". What is it that the chastisers intend to wash with it? As it turns out, not what, but whom. The device, which is mounted on an

automobile and powered by a generator, can put out 200 liters of special foam per minute. In 5 minutes the street is practically filled with such foam, which immediately solidifies, so that the clothing of the demonstrators sticks "solid" to their bodies. Thus, those subjected to such "washing" may be arrested even later.

Will all this help the Israeli "launderers", or rather chastisers? Speaking on Tel-Aviv radio, the former head of the investigative section of the Israeli security service "Shin-Bet" announced that only direct dialog between Israel and the Palestine Liberation Organization will be able to stop the Palestinian uprising. "It is impossible to suppress the resistance by military means," he concluded.

Will those who determine Israeli policy in relation to the occupied territories listen to this sound conclusion? It is difficult to say. However, one thing is clear. Instead of engaging in the invention and production of all kinds of "Mosquitos" and "washing machines", it is long since time we sat down at the negotiating table.

**Somali-Ethiopian Relations Viewed**  
*18070256 Moscow IZVESTIYA in Russian*  
*24 Apr 89 Morning Edition p 3*

[Article by V. Korochantsyev, TASS special correspondent for IZVESTIYA: "The Horn of Africa: Search For Peace"]

[Text] Mogadishu-Moscow—In April before the arrival of the rainy season in the Horn of Africa, the heat reaches a peak, especially in Somalia. Even recently, the political situation also was just as heated in this region. It is now more temperate, although all problems have still not been resolved. The situation in this region, which has become one of the centers of tension in Africa during recent decades, has been the focus of many of my conversations with political figures.

The first anniversary of the signing in Mogadiscio of an agreement about normalizing diplomatic relations between Somalia and Ethiopia was on 4 April. This political act created definite conditions for a peaceful solution and for the establishment of an atmosphere of good neighborliness and cooperation in the Horn of Africa.

Mokhamed Khashi Egal, deputy minister of culture and higher education and one of the main participants in the Somali-Ethiopian normalization discussions, told me: "Our relations with Ethiopia have improved. This is helping to solve the problems on which tranquillity and peace in the region depend. There are positive elements in the Horn of Africa; however, there are also questions that require unremitting attention. The task is to avoid conflict and eliminate the mutual suspicion and hostility which have been inherited from past psychologies. I want to point out that Somalia is trying to create an atmosphere of peace and dialogue. We will never use weapons against our neighbors."

During those memorable April days, both sides agreed to withdraw their forces from the borders, refrain from hostile propaganda directed toward each other, not support any opposition movements, and not allow their territories to be used against their neighbors.

The agreement has, undoubtedly, laid a base for settlement; however, you will not maintain an atmosphere of trust with one document. It is very important to fill it with a specific content. In August of last year, Somalia and Ethiopia exchanged prisoners who had been taken during the sad remembrance of the conflict in Ogaden that had erupted in the summer of 1977. The intention to link the two capitals with direct air communications has been expressed.

The person, to whom I was talking, added: "The plan, which provides for joint actions by Djibouti, Kenya, Somalia, and Ethiopia in combating the drought, is responsive to the spirit of settlement."

Is it possible to say that the reasons, which gave birth to the conflict, have been completely eliminated and that mutual reproaches have been ended? The situation, of course, has been normalized; in both capitals, they recognize more clearly that many years of confrontation would bring nothing except harm and that problems cannot be solved by military means. Cooperation is the best means for strengthening peaceful relations. The parties recognize that they can cooperate in using energy resources; building up industrial production facilities; combining efforts in the struggle against natural disasters, hunger and disease; and organizing trade and transport ties. There are quite a few points of contact.

Mohamed Ali Hamud, state minister of foreign affairs, says: "Our purpose is to find a reliable and just solution to the problems between Somalia and Ethiopia. Our intentions are honest and we hope that the other side has the same goals and ideals."

When analyzing the situation in the Horn of Africa, it is worthwhile to mention an extremely significant item. Each of the countries has its own domestic problems which it is impossible and even extremely dangerous to introduce into the framework of international relations. The parties already understand this. In particular, the fact that the tendency is appearing in Somalia to regard the problems of its restless north—where an opposition is operating—as internal ones, serves as a positive factor in this direction. For example, does not the establishment of a committee to restore security and stability in the northern rayons bear witness to this? The settlement of the domestic problems in neighboring Somalia and Ethiopia will, without a doubt, reduce tensions both in the region and on the continent as a whole.

The people, with whom I talked in Mogadiscio, were of one voice in giving a positive evaluation to the USSR's initiatives, which are aimed at eliminating regional conflicts, and to its contribution in insuring peace in the Horn of Africa. However, the main thing will primarily depend on a realistic and wise policy on the part of the region's states which have suffered enormous damages. The new political thinking is gradually penetrating into the consciousness of the peoples who live in the Horn of Africa area. Peace is an indispensable and decisive condition for their social and economic progress. I repeatedly heard this in Mogadiscio. One year is not sufficient to eliminate the terrible baggage of mutual suspicion; however, there is a good will to do this.

Mohamed Siad Barre, president of the Somali Democratic Republic, said: "We hope that our relations with Ethiopia will gradually improve. From now on we intend to exert our efforts in the direction of peace and cooperation and to move toward mutual understanding."

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